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No. 03-409
Title: KP Permanent Make-Up, Inc., Petitioner
v.
Lasting Impression, Inc., et al.
Docketed: September 16, 2003
Lower Ct: United States Court of Appeals for the Ninth Circuit
Case Nos.: (01-56055)
Decision Date: April 30, 2003
Rehearing Denied: May 20, 2003
Questions Presented

~~Date~~~	~~~~~~~~Proceedings and Orders~~~~~~~~~~~~~~~~~~~~~~~~
Aug 18 2003	Petition for writ of certiorari filed. (Response due October 16, 2003)
Oct 29 2003	DISTRIBUTED for Conference of November 14, 2003.
Nov 7 2003	Response Requested . (Due December 8, 2003)
Dec 8 2003	Brief of respondents Lasting Impression, Inc. and MCN International, Inc. in opposition filed.
Dec 17 2003	Reply of petitioner KP Permanent Make-Up, Inc. filed.
Dec 23 2003	DISTRIBUTED for Conference of January 9, 2004.
Jan 9 2004	Petition GRANTED.
Feb 11 2004	Extension of time within which to file petitioner's brief on the merits to and including April 19, 2004.
Mar 25 2004	Brief amici curiae of Mallack Pollack and Other Law Professors filed.
Apr 14 2004	Brief amicus curiae of American Intellectual Porperty Law Association filed.
Apr 15 2004	The Clerk has approved the use of the deferred joint appendix method.
Apr 19 2004	Brief amicus curiae of United States filed.
Apr 19 2004	Brief of petitioner KP Permanent Make-Up, Inc. filed.
Apr 19 2004	Brief amicus curiae of Private Label Manufacturers Association filed.
Apr 19 2004	Brief amicus curiae of International Trademark Association filed.
Apr 30 2004	Motion of the Solicitor General for leave to participate in oral argument as amicus curiae and for divided argument filed.
Apr 30 2004	Extension of time within which to file respondent's brief on the merits to and including July 19, 2004.
Jun 14 2004	Motion of the Solicitor General for leave to participate in oral argument as amicus curiae and for divided argument GRANTED.
Jul 19 2004	Brief amici curiae of Society of Permanent Cosmetic Professionals, et al. filed.
Jul 19 2004	Brief of respondents Lasting Impression, Inc. and MCN International, Inc. filed.
Jul 21 2004	Record received from U.S.C.A. 9th Circuit. (1 envelope)
Jul 23 2004	CIRCULATED.
Jul 30 2004	U.S.D.C. record received from Chambers of Judge Proctor Hug, Jr. (1 box)
Aug 9 2004	Joint appendix filed. (Jt. appendix in two volumes).
Aug 19 2004	Reply of petitioner KP Permanent Make-Up, Inc. filed. (Distributed)
Aug 24 2004	SET FOR ARGUMENT Tuesday, October 5, 2004.
Oct 5 2004	Argued. For petitioners:; Michael Machat, Beverly Hills, Calif.; and on behalf of the

United States, as amicus curiae, Patricia A. Millett, Assistant to the Solicitor General, Department of Justice, Washington, D.C. For respondents: Beth S. Brinkmann, Washington, D.C.

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Supreme Court, U.S.
FILED

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In the

Supreme Court of the United States

KP PERMANENT MAKE-UP, INC,

Petitioner,

v.

LASTING IMPRESSION INC; MCN INTERNATIONAL INC,

Respondents,

Petition for a Writ of Certiorari to the
United States Court of Appeals for the Ninth Circuit

PETITION FOR A WRIT OF CERTIORARI

Michael Machat
Counsel of Record
Law Offices of Michael
Machat PC
9107 Wilshire Blvd., Ste 425
Beverly Hills, CA 90210
(310) 860-1833
Attorney for Petitioner

CURRY & TAYLOR • WASH D.C. • (202) 223-3160 • USSCINFO.COM

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QUESTIONS PRESENTED

Does the classic fair use defense to trademark infringement require the party asserting the defense to demonstrate an absence of likelihood of confusion, as is the rule in the 9th Circuit, or is Fair Use an absolute defense, irrespective of whether or not confusion may result, as is the rule in other Circuits?

PARTIES TO THE PROCEEDING

Petitioners

Petitioner K.P. Permanent Make-Up, Inc. (hereinafter "KP") is a California Corporation. Petitioner has no parent corporation and there is no publicly held company owning 10% or more of Petitioner's stock.

Respondents

Respondent Lasting Impression I, Inc. (hereinafter "Lasting") has no parent corporation and no publicly-owned shareholders. Respondent Mei-Chi-Na Beauty International, Inc. sued as MCN International, Inc., has no parent corporation and has no publicly owned shareholders.

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OPINIONS BELOW

The April 30, 2003, opinion of the Ninth Circuit (App., infra, pages 1a-20a) is reported at 328 F.3d 1061. The May 16, 2001, order of the District Court (App., infra, pages 22a-31a) granting petitioner's motion for summary judgment and the judgment entered thereon in favor of petitioner, is unreported.

JURISDICTION

The Ninth Circuit's opinion was filed on April 30, 2003. Petitioner's timely petition for rehearing was denied on May 20, 2003.

The jurisdiction of this court is invoked pursuant to 28 U.S.C. § 1254(1).

CONSTITUTIONAL PROVISIONS, TREATIES, STATUTES, ORDINANCES AND REGULATIONS INVOLVED IN THIS CASE

This Case involves a determination of the elements of the Fair Use Defense to an incontestable trademark as specified in Section 33(b) (4) of the Lanham Act which appears at 15 U.S.C. § 1115(b)(4). This statute is set forth in the Appendix, infra, pages 32a-34a.

STATEMENT OF THE CASE

The parties to this case are competitors in the field of micropigmentation, which is more commonly known as permanent make-up. That is to say, the parties to this case supply and distribute pigment colors to permanent make-up practitioners who in turn inject them into the skin of their clients and/or patients.

Permanent makeup is similar to a tattoo, in that both are created by injecting pigment into the skin. Tattoos are of course meant to stand out and be noticed, whereas permanent make-up is used for cosmetic purposes such as to enhance eyebrows, or hide a scar.

The basic facts to this case are undisputed. KP has been using the term microcolors to describe its selection of pigment colors since 1990 on flyers, and since 1991 on its pigment bottles. Lasting Impression applied for a trademark registration of a mark consisting of a stylized formulation of the words "micro colors" in 1992. (Please see Appendix A, p. 20a.) In 1993 the trademark office issued a trademark registration for Lasting's logo mark. Lasting has a license agreement with MCN pursuant to which MCN markets pigment colors under Lasting's logo trademark.

In 1999, KP expanded its use of the phrase microcolors by using the term micro colors on one page of its 10 page or sided brochure. (Please see Appendix, pages 35a – 45a for the complete brochure, and page 41a for the use of micro color in particular.)

Thereafter, Lasting Impression and its licensee MCN sent KP a cease and desist letter demanding that KP stop using the term micro color. KP filed a lawsuit for declaratory relief in the United States District Court for the Central District of California. Federal Jurisdiction was conferred on the District Court by 15 U.S.C. Section 1121 (a) and by 28 U.S.C. §1338 (a), in that the case arose under the Trademark Laws of the United States, 15 U.S.C. §§1051, et. seq.

KP filed a motion for summary judgment and/or summary adjudication, and Lasting and MCN filed a motion for summary adjudication. The District Court denied Lasting's motion for summary adjudication and granted KP's motion for summary judgment, finding that the term "micro color" is generic, and if not generic, then descriptive. The District Court then determined that neither party had acquired secondary meaning in the term "micro color". Finally, the district court found that KP's use was protected under the fair use defense, 15 U.S.C. § 1115 (b) (4), noting that Lasting and MCN had conceded that KP used the term micro colors in a descriptive sense and not as a trademark, and that since KP had been using the mark since 1990, its use was fair. The District Court stopped there, and concluded it need not go further and make a determination of likelihood of confusion.

The District Court also found that the entire logo containing the words "micro color" was valid and protected but that the words "micro colors" on their own were not. The District Court recognized that Lasting's registered logo mark was incontestable, but it held that the logo mark's incontestable status did not apply to the term "micro-colors" because the registration was for the "micro colors" logo and not merely the term.

On Appeal, the Ninth Circuit reversed and remanded the matter for trial on the issue of likelihood of confusion. The Appellate Court disagreed with the District Court's findings that micro colors was generic and that Lasting itself had used the term "micro colors" in a generic sense. Second, the Appellate Court ruled that the District Court erred in requiring Lasting to demonstrate secondary meaning in the term micro colors apart from the logo mark, ruling that the District Court misapplied the Supreme Court decision of *Park 'N Fly*, 469 U.S.189 (1985). Third, the Appellate Court ruled that before concluding that KP's use of the term micro colors fell under the ambit of the Fair Use defense, the District Court should have first conducted a likelihood of confusion analysis. The Appellate opinion acknowledged that KP was the prior user of the term "microcolor", but evidently held that it was still necessary for the District Court to conduct a likelihood of confusion analysis prior to finding fair use.

KP filed a timely petition for a rehearing, and on May 20, 2003, the Ninth Circuit denied the petition for rehearing. (App. page 21a)

REASONS FOR GRANTING WRIT

When it comes to the Fair Use defense, the United States circuit courts of appeals have been divided for many years over whether or not a showing of an absence of likelihood of confusion is required as an additional element to those listed in 33§(b)(4) of the Lanham Act. The Ninth Circuit says you cannot have classic fair use if there is a likelihood of confusion. The Second Circuit says, you can, and any confusion that results is the fault of the trademark registrant for adopting such a descriptive term in the first place. The Restatement of Unfair Competition takes an intermediate position, saying that a defendant who uses another's mark fairly and in good faith to describe its goods or service is not an infringer "even if some residual confusion remains likely, although the extent of likely or actual confusion "are important factors in determining whether a use is fair. *Restatement (Third) of Unfair Competition*, §28, comment b (1995). The Fourth and Seventh Circuits have adopted a similar approach to the Restatement. The First Circuit views Fair Use as a separate and distinct defense. Within the Fifth Circuit, there seems to be a split on this issue. This Court has not addressed this issue, although in 1924, a somewhat similar issue arose. (Please see section F of the argument, infra.)

This issue takes on extra importance when one considers the concerns raised by the dissent in *Park 'N Fly, Inc., v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 194; 105 S.CT 658, 661; 83 L.Ed. 2d 582, regarding the effect of incontestability on a clearly descriptive mark that has inadvertently escaped the attention of the trademark examining attorney and through time has become incontestable. If this Court follows the Second Circuit's interpretation of the Statute, a clearly descriptive incontestable trademark granted through error will be less powerful and do less harm. Conversely, if this Court follows the Ninth Circuit's interpretation, the owner of a clearly descriptive incontestable mark will have far greater rights to descriptive words than imagined by Congress.

A. The First Circuit Rule

The First Circuit looks at the Fair Use defense as an alternative defense to likelihood of confusion. In *Leathersmith of London, Ltd. V. Alleyn*, 695 F.2d 27 (1st Cir. 1982), the defendant used the word leathersmith as part of his business name, Tantalus Custom Leathersmiths. In ruling on behalf of the defendant, the 1st Circuit found that there had been no showing of a likelihood of confusion, and even if there had been such a showing, defendant's use of "leathersmith" fell within the ambit of the Fair Use Defense.

B. The Second Circuit Rule

According to the Second Circuit, the fair use defense is available regardless of whether or not there is resulting customer confusion. In *Cosmetically Sealed*

Industries, Inc., v. Chesebrough-Pond's Usa Co., (2nd Cir. 1997)125 F. 3d 28; 43 U.S.P.Q.2d 1956, the 2nd Circuit followed the strict meaning of the language in the Lanham Act referring to the Fair Use defense, stating, "Fair use is a defense to liability under the Lanham Act even if a defendant's conduct would otherwise constitute infringement of another's trademark."

In *Cosmetically Sealed*, the trademark at issue was "SEALED WITH A KISS." Defendants invited consumers to use defendants lip products, make an imprint on a postacard, and mail it. To convey this message they simply stated to "SEAL IT WITH A KISS."*Id*, at p. 29. The Court noted that the expression "Seal it with a kiss" was widely known as a descriptive phrase. In addressing the issue of customer confusion, the 2nd Circuit stated, "If any confusion results, that is a risk the plaintiff accepted when it decided to identify its product with a mark that uses a well known descriptive phrase." *Id.*, at p. 30. In arriving at its conclusion, the 2nd circuit noted that the defendants were not using the phrase to identify their product but were instead using it in good faith to describe their products. *Id.*

C. The Status of Fair Use in the Fourth Circuit

In *Shakespeare Company v. Silstar Corporation of America, Incorporated*, 110 F.3d 234, 243 (4th Cir. 1997), the Fourth Circuit wrote, "It defies logic to argue that a defense may not be asserted in the only situation where it even becomes relevant. If a fair-use defense is not to be considered when there is a likelihood of confusion, then it is never to be considered. The fair-use defense comes into play only when infringement – including a likelihood of confusion – has been

established. A defense which can be considered only when the prima facie case has failed is no defense at all. While it is true that *to the degree* that confusion is likely, a use is less likely to be found fair, it does not follow that a determination of likely confusion precludes considering the fairness of use."

D. The Status of the Fair Use Defense in the Fifth Circuit

The Status of the Fair Use Defense and how it relates to likelihood of confusion is a bit unclear in the Fifth Circuit. In *Soweco, Inc. v. Shell Oil Company*, 617 F. 2d 1178 (5th Cir. 1980), the Fifth Circuit stated, "Moreover, we are convinced that even if there were a likelihood of confusion, the defendant would still be entitled to its fair-use defense, so long as it had met the requirements of §1115(b)(4). To hold otherwise would effectively eviscerate the fair-use defense. If defendant's use of a term to fairly describe a characteristic of its goods creates a likelihood of confusion, then plaintiff should adopt some other method of distinguishing its goods from those of defendant. He cannot deprive defendant of his statutory defense once defendant has established the elements of that defense, as defendant has done here."

Three years later, a different panel of Fifth Circuit judges wrote, "The holder of a protectable descriptive mark has no legal claim to an exclusive right in the primary, descriptive meaning of the term; consequently, anyone is free to use the term in its primary, descriptive sense so long as such use does not lead to customer confusion as to the source of goods or services." *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.* 698 F.2d 786 (5th Cir. 1983) It should be noted that upon a close reading of *the Oak Grove Smokehouse* case, the 5th Circuit panel glossed over the anomaly of forcing a defendant to first prove no likelihood of confusion in order to avail himself of the fair use defense.

E. The Status of the Fair Use Defense in the Seventh Circuit

In *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.*, 64 F.3d 1055, (7th Cir. 1995), the Seventh Circuit was presented with the following situation. Sunmark was the manufacturer of a candy called SWEETARTS®, which was both sweet and tart. Ocean Spray was the manufacturer of Ocean Spray Cranberry Juice which also was both sweet and tart. The Sweetarts mark had become incontestable, and Ocean Spray was invoking its right to use the descriptive phrase Sweet-Tart as a descriptive phrase. In ruling that Ocean Spray's use was a fair use, the 7th Circuit cited this Court's statement in *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526, 528, 44 S.Ct. 615, 616, 68 L.Ed 1161 (1924), "The use of a similar name by another to truthfully describe his own product does not constitute a legal or moral wrong, even if its effect be to cause the public to mistake the origin of the product." *Sunmark, supra* at 1059. The Sunmark Court then acknowledged that other courts have implied that confusion is inconsistent with a fair use defense, and then posits the question how an accurate description can be objectionable? The Sunmark Court explains that, "When the products involved are similar, 'likelihood of confusion' may amount to using a word in a 'misleading' way, violating 15 U.S.C. § 1125(a)(1) – not because the likelihood of confusion makes the use nondescriptive, but because the confusion about the product's source shows that the words are being used, de facto, as a mark. And the defense is available only to one who uses the words of description "otherwise than as a mark." *Id.* Later in the opinion, the Court addresses the issue of likelihood of confusion, only after first assuming that some of the ways Ocean Spray deployed 'sweet-tart' to sell juices have the status of a trademark. *Id* at 1060. Thus, according to the Seventh Circuit, the confusion over whether or not the likelihood of confusion analysis should be applied in connection with the fair use defense only arises if the descriptive term is being used by the alleged infringer as a trademark, and if so, the fair use defense would not be applicable.

F. The Status of the Fair Use Defense in the US Supreme Court

Petitioner has only found one decision regarding the Fair Use Defense in this Court, and that is *William R. Warner & Co. v. Eli Lilly & Co., supra.* Although this Court did not specifically address the Statute in question, 15 USC 1115(b)(4) (the statute and the Lanham Act, itself, had not yet been enacted!), the basic issue did arise. The Respondent had come out with a drink named Coco-Quinine which also was a description of the ingredients of the drink itself. The petitioner had come out with a similar tasting drink made also from quinine and chocolate and called its drink Quin-Coco. This Court stated that the use of a similar name by another to truthfully describe his own product does not constitute a legal or moral wrong, even if its effect be to cause the public to mistake the origin or ownership of the product. *Id* at 528. This Court did however go on to find unfair competition by the petitioner principally because the petitioner was using the name of its drink as a trademark that was similarly confusing to the brand name being used by respondent. Thus, if the Lanham Act had been enacted at that time, and if 15 U.S.C. 1115(b)(4) were the law at the time, the fair use defense as stated therein would not have been applicable to the petitioner because the petitioner was using the descriptive term not just as a descriptive term, but as a mark.

G. The Ninth Circuit Rule

In its opinion below, the Ninth Circuit followed its long line of precedents in ruling that in order for KP to prevail on its fair use defense, KP was required to establish that their use of the "micro colors" term did not lead to customer confusion. In doing so, the Ninth Circuit makes reference to its opinion in *Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1150, 1151 (9th Cir. 2002), where it states, "Under the common law classic fair use defense codified in the Lanham Act at 15 United States Code § 1115(b), "[a] junior user is always entitled to use a descriptive term in good faith in its primary, descriptive sense other than as a trademark." 2 *McCarthy on Trademark and Unfair Competition* § 11:45 (4th ed.2001). To establish a classic fair use defense, a defendant must prove the following three elements: "1. Defendant's use of the term is not as a trademark or service mark; 2. Defendant uses the term 'fairly and in good faith'; and 3. [Defendant uses the term] '[o]nly to describe' its goods or services." *Id.* at § 11:49 (quoting 15 U.S.C. § 1115(b))."

Although the Ninth Circuit admits that the classic fair use defense is codified in the Lanham Act at 15 USC §1115(b), the Ninth Circuit adds an extra element to the defense. "As expressed in Cairns, the fair use analysis 'only complements the likelihood of customer confusion analysis.' *Id.* at 1150; see also *Transgo, Inc. v. Ajac Transmission Parts Corp.*, 911 F.2d 363, 366 n.2 (9th Cir. 1990) (explaining that anyone is free to use a term in its primary, descriptive sense, as long as such use does not result in consumer confusion as to the source of the goods); *Lindy Pen Co. v. Bic Pen Corp.*, 725 F.2d 1240, 1248 (9th Cir. 1984) (explaining that the fair use defense is not available if likelihood of confusion has been shown.)" (*KP v. Lasting Impression*, 328 F3d 1061, 1072; also App. 17a)

As mentioned above, the District Court below found that KP had satisfied all three prongs of the fair use defense as codified in 15 USC §1115(b) and hence KP's use of the microcolor mark was protected under the fair use doctrine. The Ninth Circuit, in following its own precedents, stated, "This is a case concerning the classic fair use defense. KP is using the term 'micro color' to describe its own products, not that of Lasting. Therefore, KP can only benefit from the fair use defense if there is no likelihood of confusion between KP's use of the term 'micro color" and Lasting's mark. The district court declined to discuss likelihood of confusion because it found KP's use to be fair. However, as discussed above, because in this case there can be no fair use if there is a likelihood of confusion, the likelihood of confusion analysis must be addressed." (App. p. 17a) The Ninth Circuit, after noting that a finding of likelihood of confusion involves numerous genuine issues of material facts, remanded the matter to the District Court for trial. This decision is in direct conflict with the decisions of the other Circuit Courts of Appeals and is in conflict with a statement made by this Court back in 1924. *William R. Warner & Co. v. Eli Lilly & Co*, 265 U.S. 526, 529; 68 L.Ed. 1161, 44 S.Ct. 615 (1924).

H. This Court Should Exercise Its Discretion to Grant the Petition

There is a clear and present need for this Court's intervention and guidance in this important issue of trademark law. An absence of uniformity in trademark law undermines certainty of expectation and lessens public confidence in the federal judiciary. It complicates business planning, and encourages forum shopping.

In order to promote unity in the trademark laws of this Country, it is vital that this conflict between the circuits be resolved. Otherwise, parties to a trademark dispute would simply be wise and encouraged to forum shop to the circuit with the interpretation of the fair use defense that best suits the facts of their case. With interstate commerce as prevalent as it is, it is exceedingly rare to find trademarked products sold only within one Circuit. Thus, as the matter now stands, a lawyer cognizant of this split among the circuits will surely use this knowledge to advise his or her client to file in the Circuit with the law most suitable to his desired outcome.

There needs to be a definitive answer to the question at issue so businesses can plan their marketing strategies. At the moment, the most a lawyer can do when advising a client about adopting a prospective marketing campaign that uses a descriptive term that is also part of a competitor's trademark is to advise the client to proceed with caution. That even though descriptive terms are supposed to be free for all to use to truthfully describe their goods or services, there are some circuits that hold that this is only the case when there is no likelihood of confusion. As a result, it is possible for a business that is truthfully and in good

faith using a common everyday term found in the dictionary to only describe its goods to find itself embroiled in litigation with a ruthless competitor who has sought to make it difficult and cumbersome for others to advertise.

There are some businesses that will use this uncertainty to its advantage against competitors with less financial resources. It is not uncommon for businesses to seek a trademark registration for a purely descriptive or even generic term. In cases like this, the trademark applicant wraps the descriptive and/or generic term around a logo and applies for a logo mark. An example of this is revealed in *Sweats Fashions, Inc. v. Pannill Knitting Co.*, 833 F.2d 1560, 4 U.S.P.Q.2d 1793 (Fed. Cir. 1987), where the trademark registration protected the logo of Sweats but not the word Sweats itself. Once a registered trademark is issued, the competitor can use the registration itself to threaten smaller competitors with litigation, even though the registration includes a descriptive term that should be free for all to use. Without the law on this matter being clear, a small company may just give up its right to continue using the descriptive term simply to avoid the costs of litigation.

Petitioner believes this is exactly what happened in this case. Lasting obtained a logo registration of a descriptive term to prevent its competitors from using the same descriptive term in its marketing. One competitor, Tattooing, had at one time written in its brochures, "'Our Micro Colors are the best in the world.' However Tattooing has agreed to stop using the "micro colors" phrase at Defendants' request." (App., page 28a) Petitioner contends this is merely because Tattooing, Inc did not want to go through the time and energy defending against a federal lawsuit. In contrast to

Tattooing's business decision, Petitioner instead chose to fight for its right to continue using a descriptive term to describe its goods and services.

The world needs to know what to do when an obviously descriptive term and perhaps even a generic term escapes the attention of the examining attorney at the USPTO, and as a result, a registered mark is subsequently mistakenly granted. If the descriptive term is the most salient feature of the mark, then under current law, this purely descriptive term can obtain trademark protection. After a short number of years, if no one challenges the descriptive mark, it can become incontestable, even though it may have been granted by mistake. The dissent in *Park 'N Fly*, supra at 206, was very concerned about this type of situation. In order to remedy the concern that a merely descriptive mark may obtain incontestable status, the dissent in that case argued, one should be able to challenge the validity of an incontestable mark on the ground that it is merely descriptive. The majority opinion pointed out that there were other statutory provisions available to rectify the trademark register and/or enable the public to continue using the descriptive term. One of these other statutory provisions, is the Fair Use Defense, *15 U.S.C. §1115(b)*. But as we have seen, the Fair Use defense is in danger of being eviscerated. It has in fact been eviscerated by the Ninth Circuit in cases that do not fit their definition of nominative fair use.

This Court noted that the dissent in *Park 'N Fly* disagreed with the balance struck by Congress in determining the protection to be given to incontestable marks. *Park 'N Fly 469* U.S. supra at 202. In order to prevent the balance from swinging too far the other way, it is vitally important that this Court strike down the Ninth Circuit's analysis of the Fair Use defense, and

adopt the plain meaning of the statute as the law of the land.

I. The Second Circuit's Approach is the best approach for commerce

One problem with the Ninth Circuit's rule that in order for there to be fair use there cannot be a likelihood of confusion is that the rule is unsupported by the statutory language of the Lanham Act itself. The Act specifically spells out a number of defenses to an incontestable mark. Included among those defenses is the fair use defense. "Statutory construction must begin with the language employed by Congress and the assumption that the ordinary meaning of that language accurately expresses the legislative purpose." *Park "N Fly, Inc., v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 194; 105 S.CT 658, 661; 83 L.Ed. 2d 582. As the Fourth Circuit wrote, "It defies logic to argue that a defense may not be asserted in the only situation where it even becomes relevant. If a fair-use defense is not to be considered when there is a likelihood of confusion, then it is never to be considered. The fair-use defense comes into play only when infringement – including a likelihood of confusion –has been established. A defense which can be considered only when the prima facie case has failed is no defense at all." *Shakespeare Company v. Silstar Corporation of America, Incorporated*, supra at 243. So one naturally asks, if the Ninth Circuit's interpretation is correct, what then was Congress' intention of including fair use as a defense to an incontestable mark?

In *Park 'N Fly*, this Court wrote in connection with statutory construction, "One searches the language of the Lanham Act in vain to find any support for the offensive/defensive distinction applied by the Court of Appeals. The statute nowhere distinguishes between a registrant's offensive and defensive use of an incontestable mark. On the contrary, § 33(b)'s declaration that the registrant has an "exclusive right" to use the mark indicates that incontestable status may be used to enjoin infringement by others. A conclusion that such infringement cannot be enjoined renders meaningless the "exclusive right" recognized by the statute. Moreover, the language in three of the defenses enumerated in § 33(b) clearly contemplates the use of incontestability in infringement actions by plaintiffs. See §§ 33(b)(4)-(6), 15 U.S.C. §§ 1115(b)(4)-(6)." If one pursues a similar type of statutory analysis in the instant case, one can only conclude there is no support within the language of the Lanham Act for first requiring that a distinction be made between nominative fair use and classic fair use, and then requiring a party to prove a lack of likelihood of confusion if the party wants to defend on the basis of classic fair use.

Moreover, the Ninth Circuit's interpretation of the Fair Use Defense entails a more costly defense and the depletion of more judicial resources then would apply in other circuits. As Professor McCarthy writes in connection with proving or disproving likelihood of confusion, "In borderline cases where evidence of actual confusion is not available or is not overwhelming, the gap should best be filled by a properly conducted survey of the relevant class of prospective customers of the goods or services at issue." *McCarthy*, supra at §23.17. A professional survey is of course usually very expensive to conduct. Furthermore, as the Ninth Circuit notes, "determining whether a likelihood of confusion exists at the summary judgment stage is generally disfavored. . ." (App. at p. 18a) Thus, under the Ninth Circuit's interpretation, trials on the issue of fair use will be far more prevalent than in other circuits

where the matter might more easily go away in a motion for summary judgment.

The Second Circuit's common sense interpretation of the statute seems not only logical, but also fair. Why should a defendant be forced to go through the expense of conducting a survey (to prove a lack of likelihood of confusion) or going to trial (again to prove no customer confusion) if all he is doing is using a descriptive word or phrase to truthfully describe his goods or services?

CONCLUSION

KP respectfully submits that these considerations justify this Court's granting of the Petition for Writ of Certiorari.

Dated this 18th day of August, 2003.

Respectfully submitted,

Michael Machat
Counsel of Record for Petitioner
9107 Wilshire Blvd., Suite 425
Beverly Hills, CA 90210
(310) 860-1833

(Any footnotes trail the end of each document)
No. 01-56055

UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

KP PERMANENT MAKE-UP, INC,
Plaintiff-counter-defendant-Appellee,

v.

LASTING IMPRESSION I, INC;
MCN INTERNATIONAL INC,
Defendants-counter-claimants-Appellants,

ROES 1 THROUGH 10, inclusive,
Counter-defendant-Appellee.

October 9, 2002, Argued and Submitted, Pasadena, California
April 30, 2003, Filed

COUNSEL: Charles C. H. Wu and C. William Kircher, Jr., Irvine, California, for the defendants-counter-claimants-appellants.

Michael Machat, Beverly Hills, California for the plaintiff-counter- defendant-appellee.

JUDGES: Before: Procter Hug, Jr., Melvin Brunetti, and Diarmuid F. O'Scannlain, Circuit Judges. Opinion by Judge Hug.

OPINION BY: HUG

OPINION: HUG, Circuit Judge:

I. Introduction

This case concerns the term "micro colors" n1 and who has the right to use it. Lasting Impression I, Inc., owns an incontestable, registered trademark which consists of the term "micro colors," set in white, within a black box. It is the registration for this composite mark that is the basis of this litigation.

K.P. Permanent Make-Up, Inc. ("KP") uses the term "micro colors" on its products and brochures. Upon receiving a cease and desist letter from Lasting Impression I, Inc. in January 2000 demanding KP discontinue its use of the term "micro color," KP brought this action for declaratory relief against the defendants Lasting Impression I, Inc., and its distributor, MCN International, Inc. (hereinafter collectively referred to as "Lasting"). KP asserted that Lasting did not have the exclusive right to use the term "micro colors" and that the term was generic and incapable of receiving trademark protection. Lasting counterclaimed, alleging that KP's use of the term "micro color" infringed Lasting's incontestable, registered mark. The parties filed cross motions for summary judgment and summary adjudication.

The district court concluded that the term "micro colors" was generic, or if not generic, descriptive. The court then determined that KP was entitled to continue use of the term "micro color," in the manner that it had been since 1991, and that Lasting could continue to use its trademarked logo. Lasting appeals the district court's grant of summary judgment in favor of KP. We have jurisdiction under 28 U.S.C. § 1291.

II. Factual and Procedural Background

KP and Lasting are direct competitors in the permanent makeup industry. To better understand the nature of the term "micro color," a brief description of permanent makeup and the permanent makeup industry is of use. Permanent makeup is similar to a tattoo, in that both are created by injecting pigment into the skin. Permanent makeup has both cosmetic and medical uses. For example, it may be used to create permanent eye liner and to enhance eyebrows, or it may be used in scar revision or in cases of pigmentary disorder. Permanent makeup is also known as micropigmentation.

The pigments used for permanent makeup are sold in small bottles for use by trained professionals. Both KP and Lasting have a separate line of pigments for use in the permanent makeup process. These pigments are sold in various colors. Further, both KP and Lasting sell their pigments to the same end users, such as beauty salons.

Lasting began using "micro colors" commercially as a trademark for its line of permanent makeup pigments in April 1992. The mark was registered on the Principal Register of the United States Patent and Trademark Office on May 11, 1993, as Reg. No. 1,769,592. The mark is registered as a design and word mark and consists of a solid black rectangle, with the words "micro" and "colors" in reverse white lettering. The word "micro" appears directly over the word "colors," and the two are separated by a green horizontal bar. In 1999, Lasting's mark, as registered, became incontestable. An illustration of the registered trademark is shown in Appendix A.

KP used the term "micro color" on its flyers beginning in

1990 and has continued to use the term on its pigment bottles since 1991. KP's use of the term "micro color" on its bottle labels consists of the word in full capitals before the actual color of the pigment in the bottle. For example, KP's use of the word on a bottle containing black pigment would appear as: "MICROCOLOR: BLACK."

In 1999, KP adopted a new use of the term "micro color." Rather than using it only on its bottles, KP began using the term in its marketing brochures. The brochures display the term "micro color" in a stylized format. "Micro color" sits directly over the word "pigment," and a vial with pigment flowing out of it is depicted to the side of the word display. Additionally, under both the vial and the phrase "micro color pigment" is the word "chart." Both the words "pigment" and "chart" appear in a smaller size type than the term "micro color," making the term the most dominant feature of the image. The brochure on which this image appears contains a chart displaying all the various colors in which KP's pigments are available. An illustration of the term in the marketing brochures is shown in Appendix B.

In March 2000, KP commenced this trademark declaratory relief action against Lasting. In response, Lasting counter-claimed, alleging that KP's use of the phrase "micro color" infringed Lasting's incontestable registration of its "micro colors" mark and sought damages for the infringement. Lasting's counterclaim also alleged unfair competition and false advertising.

KP filed a motion for summary judgment. KP's contentions consisted of the following: (1) Lasting's picture mark registration did not give Lasting the exclusive right to the term "micro color" separate from the logo; (2) the term "micro color" is generic; (3) KP

can use "micro color" under the fair use doctrine; (4) the phrase has no secondary meaning; (5) Lasting has also used "micro color" in a generic sense and is estopped from arguing the term is not generic; (6) Lasting cannot show likelihood of confusion; and (7) KP's continuous prior use of the term "micro color" defeats Lasting's claim to exclusivity.

Lasting moved for summary adjudication of certain issues, principally that KP's contention that the term "micro colors" is generic had no merit, that KP's prior use contention had no merit, and that Lasting's registered trademark was not limited to the composite.

The district court granted KP's motion for summary judgment and denied Lasting's motion for summary adjudication. It held that KP could continue to use the term "micro color" in the manner it has since 1991 and that Lasting could continue to use its trademarked logo containing the words "micro color." Specifically, the district court concluded that the term "micro color" is generic, and, if not generic, descriptive. The district court then determined that neither party had acquired secondary meaning in the term "micro color." Finally, the district court held that KP's use was protected under the "fair use" defense, 15 U.S.C. § 1115(b)(4), and because its use was fair, the court declined to discuss KP's prior use contention or likelihood of confusion.

III. Analysis

A. Standard of Review

A grant of summary judgment is reviewed *de novo*. *Clicks Billiards, Inc. v. Sixshooters, Inc.*, 251 F.3d 1252, 1257 (9th Cir. 2001). We must determine, viewing the evidence in the light most favorable to the nonmoving party, whether there are any genuine issues of material fact and whether the district court correctly applied the relevant substantive law. *Id.* "Be-cause of the intensely factual nature of trademark disputes, summary judgment is generally disfavored in the trademark arena." *Entrepreneur Media, Inc. v. Smith*, 279 F.3d 1135, 1140 (9th Cir. 2002) (quotation marks and citations omitted).

B. Trademark Infringement

In evaluating the parties' motions for summary judgment and summary adjudication, it is easiest to frame the relevant issues in the context of a trademark infringement action. KP's motion raises essentially issues that are defenses to an infringement action.

The Lanham Act allows the holder of a protectable trademark to hold liable any person who without consent, "uses" in commerce any . . . registered mark" in connection with the sale, offering for sale, distribution, or advertising of any goods or services" which is likely to cause confusion. 15 U.S.C. § 1114(1)(a). Before infringement can be shown, the trademark holder must demonstrate that it owns a valid mark, and thus a protectable interest. *Tie Tech, Inc. v. Kinedyne Corp.*, 296 F.3d 778, 783 (9th Cir. 2002). Once the trademark holder shows that it has a protectable interest, the holder must show that the alleged infringer's use of the mark "is likely to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. § 1114(1)(a) & (b); *Thane Int'l, Inc. v. Trek Bicycle Corp.*, 305 F.3d 894, 900 (9th Cir. 2002). The alleged infringer has a number of defenses available.

Trademarks are generally divided into four categories: (1) generic; (2) descriptive; (3) suggestive; and (4) arbitrary or fanciful. The latter two categories are deemed inherently distinctive and are automatically entitled to protection because they naturally "serve[ ] to identify a particular source of a product . . . ." *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768, 120 L. Ed. 2d 615, 112 S. Ct. 2753 (1992).

Generic marks are not capable of receiving protection because they identify the product, rather than the product's source. *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 194, 83 L. Ed. 2d 582, 105 S. Ct. 658 (1985). "Generic terms are not registerable, and a registered mark may be canceled at any time on the grounds that it has become generic." *Id.* Merely descriptive marks, which describe the qualities or characteristics of a product, may be registered only if the holder of the mark shows that the mark has acquired distinctiveness through secondary meaning. *Id.*

One advantage of registration on the Principal Register is that the mark may attain incontestable status. 5 MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION § 32:142 (2002). Incontestable status may be obtained by fulfilling the requirements of 15 U.S.C. § 1065. This requires that the registered mark has been in use for five consecutive years and is still in use in commerce. *Id.* In addition, the statute requires that there has been no decision adverse to the registrant's claim of ownership of the mark, the right to register, or the right to keep it on the register. *Id.* No incontestable right can be obtained in a mark which is the generic name for the goods or services. *Id.*

The incontestability provisions of the Lanham Act were designed to provide a means for a trademark holder to "quiet title in the ownership of his mark." *Park 'N Fly*, 469 U.S. at 198. However, although a mark may become incontestable, the label of "incontestability" is rather misdescriptive. 5 MCCARTHY § 32:147. An incontestable registration is still subject to certain defenses or defects, set forth in 15 U.S.C. § 1115 and as above stated does not apply to a mark that is generic.

The summary judgment entered for KP was based on the following determinations:A. The words "micro color," as distinct from Lasting's entire logo, are not protected because the words are generic and thus cannot constitute a valid mark.

B. Even if those words are not generic, they are descriptive and have no secondary meaning and thus cannot constitute a valid mark.

C. The "fair use" defense is applicable to KP and precludes a claim of infringement.

Because the district court held that the entire logo with the words "micro color" on it was valid and protected but that the words "micro color" were not, our first inquiry is whether the words "micro color" themselves are protected by the registration of the mark or only the entire logo. We are aided in this inquiry by the sequence of events in the Ninth Circuit case of *Park 'N Fly v. Dollar Park & Fly, Inc.*, 718 F.2d 327 (9th Cir. 1983), *rev'd*, 469 U.S. 189, 83 L. Ed. 2d 582, 105 S. Ct. 658 (1985).

C. Protection Afforded to the Words "Micro Colors"

In *Park 'N Fly*, the mark at issue, which had attained incontestable status, consisted of the words "Park 'N Fly" and an airplane logo. The alleged infringer challenged the mark's validity arguing that the words "Park 'N Fly" were generic with respect to airport parking lots. *Id.* at 330. Park 'N Fly had a separate registration for the words "Park 'N Fly" with-out the airplane logo that was not yet incontestable. In addressing the issue of whether the words "Park 'N Fly" were generic, this court focused entirely on the words in the logo mark, which was incontestable, as opposed to words in the separate registration of the word mark.

Judge Kennedy (now Justice Kennedy), in writing for the court, held that because the most salient feature of the logo mark was the phrase "Park 'N Fly," any infringement of the word mark registration would also be an infringement of the logo mark. *Id.* at 331 n.3. Thus, the opinion concluded that the words "Park 'N Fly" were the most salient feature of the logo mark and that insufficient evidence had been presented to show the words were generic. *Id.*

It is significant that the United States Supreme Court, upon reviewing the Ninth Circuit's decision in *Park 'N Fly*, also recognized that Park 'N Fly had a separate registration for the words Park 'N Fly which had not become incontestable. How-ever, it determined that such registration did not affect the resolution of the matter and focused on the incontestable logo mark in making its ruling. *Park 'N Fly*, 469 U.S. at 192 n.2.

The Supreme Court reversed the Ninth Circuit's opinion on a different issue. The Ninth Circuit opinion had held that a registrant could not use the incontestability of its mark offensively to enjoin infringement and that a challenger could defend such an action on the grounds that the mark is merely descriptive. The Supreme Court reversed that aspect of the Ninth Circuit decision, but remanded for consideration the challenger's prior use defense and the defense that there was no likelihood of confusion.

The remand by the Supreme Court implicitly acknowledged that it was the words "Park 'N Fly" as the most salient feature of the logo trademark that were to be considered on remand. The Ninth Circuit on remand addressed the words of the logo trademark and affirmed the district court's finding that the challenger did not qualify for the prior use exception and that there was sufficient likelihood of confusion to justify an injunction in favor of Park 'N Fly. *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 782 F.2d 1508, 1509 (9th Cir. 1986).

It is clear under Ninth Circuit law, implicitly approved by the Supreme Court, that not only Lasting's logo mark itself is protected by the registration, but also the words "micro color" as the most salient feature of the logo mark. In *Park 'N Fly* the words were held to be the most salient feature of a logo with an airplane; whereas in this case the words in white on a black background are virtually the only salient feature of the logo.

Because the words "micro color" are the most salient feature of the mark, those words are the focus of the inquiry on validity.

D. Genericness

KP contends that the words "micro color" are generic and thus not entitled to protection. To determine whether a term has become generic, we look to whether consumers understand the word to refer only to a particular producer's goods or whether the consumer understands the word to refer to the goods themselves. *Park 'N Fly*, 718 F.2d at 330. If the buyer understands the word to refer to the source of the good, the term is not generic. However, if the disputed term is "identified with all such goods or services, regardless of their suppliers, it is generic." *Id.* (quotation marks and citation omitted).

"Federal registration of a trademark endows it with a strong presumption of validity. The general presumption of validity resulting from federal registration includes the specific presumption that the trademark is not generic." *Coca-Cola Co. v. Overland, Inc.*, 692 F.2d 1250, 1254 (9th Cir. 1982) (citations omitted). This presumption of validity extends to the most salient feature of the mark, the words "micro color."

We recently discussed the nature of that presumption in *Tie Tech, Inc. v. Kinedyne*, 296 F.3d at 782-83. Citing the wording of 15 U.S.C. § 1115(a) we stated:

Validity . . . is a threshold issue. On this point, the plaintiff in an infringement action with a registered trademark is given the prima facie or presumptive advantage on the issue of validity, thus shifting the burden of production to the defendant to prove otherwise. . . . Or, to put it as we did in *Vuitton* [*Et Fils S.A. v. J. Young Enters., Inc.*, 644 F.2d 769 (9th Cir. 1981)], the defendant then bears the burden with respect to invalidity.*Id.* at 783. In granting the summary judgment to KP, the district court erred in placing the burden on Lasting. The burden was on KP to produce sufficient evidence to overcome the presumption.

The question then becomes what evidence must be produced to overcome the presumption. We noted in *Tie Tech* at the summary judgment stage that all inferences from facts must be drawn most favorably to the non-moving party. *Id.* In evaluating the summary judgment awarded to KP, those inferences must be drawn in favor of Lasting, as the non-moving party. We stated in *Tie Tech*, after noting that this type of issue is generally viewed as an intensely factual issue, that if the challenger "can demonstrate through law, undisputed facts or a combination thereof that the mark is invalid the [trade-mark holder] cannot survive summary judgment." *Id.*

KP relied principally on an affidavit of the owner, Theresa Kim Plante, which stated: "There are various synonyms for microcolors, such as: micropigment, micro color pigments, micropigment colors and pigment colors. Both these terms micropigments and micro colors are abbreviations for micropigmentation colors. They all mean the same thing and are generic." Whether all of these terms could be synonyms for each other is highly doubtful. KP produced no evidence that consumers understood them to be synonyms. Both parties agree that the cosmetic process is "micropigmentation." That term alone would no doubt be generic, however whether "micropigmentation colors" is generic is a different question. Plante's affidavit says it is generic and that "micro colors" is simply an abbreviation for that term, which she contends is generic. The affidavits of Story, McKinstry and Leung state that "pigment" is generally used to refer to the liquid injected into the skin as permanent makeup, whereas "color" refers to the hue or shade of the pigment. Thus, according to these affiants, the color or hue of the pigment has nothing to do with the generic process and therefore "micro colors" is not an abbreviation for a generic process.

The contention that "micropigmentation colors" is the generic term for the micropigmentation process and that "micro colors" is an abbreviation for that term and thus also generic is not one that reasonably minded jurors

could accept. The words themselves do not support that contention, and KP introduced no evidence that the consumers so construed the words.

KP's other support for its generic argument was a statement that Story, the founder of Lasting, had made. KP contends that she used "micro colors" as a generic term in a brochure and an article. Story explained that neither reference was to "micro colors" as generic, and explained that in context the references were to the "Micro Colors" brand name and not intended as a generic term.

The first alleged generic use is in a brochure in which Lasting stated,MICRO-COLORS tm pigment is the first and only MICRO-COLORS available by MCN. All other brands with similar or identical names are not associated with MCN. Due to the high demand for this superior quality pigment, many imposter pigments have been developed to create confusion in the marketplace. Make an informed purchasing decision: verify that MCN is the manufacturer before you buy. MICRO-COLORS is a federally registered trade name and trademark that is avail-able only via MCN.Rather than using the term in the generic sense, it is clear from the document itself that Lasting was distinguishing its mark from those who may have used MICRO-COLORS with-out authorization.

The second alleged generic use is in a trade article where Lasting discusses its product. In this article, Lasting states "all Lasting Impression I pigments (Micro-Colors) are six microns." From then on in the article, Lasting uses the term "Micro-Colors" (capitalized) instead of pigments in a general sense. Again, in context, it is clear that Lasting was not refer-ring to "micro colors" in a generic sense. Rather Lasting had defined *its product* by its trademark "Micro-Colors" and uses that term to describe *its pigments* elsewhere in the article. KP presented no evidence that "micro colors" was used or understood by consumers as a generic term rather than a brand name. Lasting did present evidence that "Micro Colors" is used and understood as a brand name not a generic term. We held in *Park 'N Fly* that "Without evidence that to the consuming public the primary significance of the term [Park 'N fly] is to denote the service Park 'N Fly offers and not its source, we are without a sufficient evidentiary basis to find Park 'N Fly's mark generic." *Park 'N Fly*, 718 F.2d at 330.

There is no genuine issue of material fact as to whether the salient part of Lasting's trademark, the words "micro colors," is generic. A reasonably minded jury could not conclude from the evidence produced that "micro colors" is a generic term. *See Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 249, 91 L. Ed. 2d 202, 106 S. Ct. 2505 (1986).

Based on the foregoing discussion of genericness, KP's motion for summary judgment cannot be upheld on this ground. Furthermore, Lasting's motion for summary adjudication on the issue of genericness should be granted.

E. Descriptiveness

The district court also determined that the words "micro colors" were not protected because they were descriptive and Lasting had not acquired a secondary meaning in those words. A descriptive mark that has become incontestable is conclusively presumed to have acquired secondary meaning. *Entrepreneur Media*, 279 F.3d at 1142 n.3. This means that a defendant in a trademark infringement action cannot assert that an incontestable mark is invalid because it is descriptive

and lacks secondary meaning. *Park 'N Fly*, 469 U.S. at 205.

The district court recognized that Lasting's registered logo mark was incontestable. However, it held that the logo mark's incontestable status did not apply to the term "micro colors" because the registration was for the "micro colors" logo, and not merely the term.

We conclude that the district court erred in requiring that Lasting demonstrate secondary meaning in the term apart from the mark. As we have discussed, a registered mark may be infringed even if the exact mark is not being imitated and the challenger of an incontestable mark cannot assert that the most salient feature of the mark is descriptive and lacks secondary meaning. *See Park 'N Fly*, 469 U.S. at 192 n.2, 205. Thus, when the holder of an incontestable mark is complaining that the most salient feature of its mark is being imitated and a likelihood of confusion may result, the holder of the mark does not have to show that the salient feature, apart from the mark, has acquired secondary meaning. Rather, the conclusive presumption that the mark has acquired secondary meaning extends to the most salient feature of the mark.

Thus, Lasting's incontestable registration is conclusive evidence that the mark is non-descriptive or has acquired secondary meaning, and there is no need to require a showing of secondary meaning in the term "micro colors" apart from the mark. Therefore, KP's motion for summary judgment cannot be upheld on this ground.

F. The Fair Use Defense and Likelihood of Confusion

We next turn to the issues of fair use and likelihood of confusion. The district court granted KP's motion for summary judgment on the basis of fair use, under 15 U.S.C. § 1115(b)(4). It held it need not make a determination with respect to likelihood of confusion. Section 1115(b)(4) of the Lanham Act allows a fair use defense to the infringement of an incontestable mark providing:That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, . . . of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin. . . .

As explained in *Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1150 (9th Cir. 2002), there are two types of fair use: classic fair use and nominative fair use. Classic fair use is that in which the alleged infringer "has used the [trademark holder's] mark *only* to describe his own product, *and not at all to describe the [trademark holder's] product.*" *Id.* at 1151 (emphasis in original). In contrast, nominative fair use occurs when the alleged infringer uses "the [trademark holder's] mark to describe the [trademark holder's] product, *even if the [alleged infringer's] ultimate goal is to describe his own product.*" *Id.* (emphasis in original). Nominative fair use also occurs if the only practical way to refer to something is to use the trademarked term. *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992) (explaining that nominative fair use may occur if one uses a trademark because it is the "only word reasonably available to describe a particular thing . . .").

The distinction between the two types of fair use is important because each type calls for a different analysis. When analyzing nominative fair use, it is not

necessary to address likelihood of confusion because the nominative fair use analysis replaces the likelihood of confusion analysis. *Cairns*, 292 F.3d at 1151; *New Kids*, 971 F.2d at 308. To successfully assert the nominative fair use defense, the alleged infringer must show that: 1) the product in question is not readily identifiable without use of the trademark; 2) only so much of the mark is used as reasonably necessary to identify the product; and 3) the user of the mark did nothing that would suggest sponsorship by the trademark holder. *New Kids*, 971 F.2d at 308.

In contrast, when the classic fair use defense is raised, it is still necessary to analyze likelihood of confusion. *Cairns*, 292 F.3d at 1151. As expressed in *Cairns*, the fair use analysis "only *complements* the likelihood of customer confusion analysis." *Id.* at 1150; *see also Transgo, Inc. v. Ajac Transmission Parts Corp.*, 911 F.2d 363, 366 n.2 (9th Cir. 1990) (explaining that anyone is free to use a term in its primary, descriptive sense, as long as such use does not result in consumer confusion as to the source of the goods); *Lindy Pen Co. v. Bic Pen Corp.*, 725 F.2d 1240, 1248 (9th Cir. 1984) (explaining that the fair use defense is not available if likelihood of confusion has been shown).

This is a case concerning the classic fair use defense. KP is using the term "micro color" to describe its own products, not that of Lasting. Therefore, KP can only benefit from the fair use defense if there is no likelihood of confusion between KP's use of the term "micro color" and Lasting's mark. The district court declined to discuss likelihood of confusion because it found KP's use to be fair. However, as discussed above, because in this case there can be no fair use if there is a likelihood of confusion, the likelihood of confusion analysis must be addressed. Therefore, in addressing KP's motion for summary judgment, we must determine whether there are any genuine issues of fact that exist with respect to likelihood of confusion.

Likelihood of confusion exists when consumers viewing the mark would probably assume that the goods it represents are associated with the source of a different product identified by a similar mark. *Clicks Billiards*, 251 F.3d at 1265. A finding of likelihood of confusion requires that confusion be probable, not just a possibility. *Rodeo Collection, Ltd. v. West Seventh*, 812 F.2d 1215, 1217 (9th Cir. 1987). Thus, "summary" judgment is inappropriate when a jury could reasonably conclude that there is a likelihood of confusion." *Downing v. Abercrombie & Fitch*, 265 F.3d 994, 1008 (9th Cir. 2001). Due to the factual nature of likelihood of confusion, determining whether a likelihood of confusion exists at the summary judgment stage is generally disfavored because a full record is usually required to fully assess the facts. *Clicks Billiards*, 251 F.3d at 1265.

KP's motion for summary judgment asserted that no genuine issue of material fact existed with respect to likelihood of confusion. Therefore, in determining whether likelihood of confusion exists, we must look at the facts in the light most favorable to Lasting.

The Ninth Circuit generally relies on an eight-factor test in determining whether a likelihood of confusion exists. *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979). Those factors are: 1) the strength of the mark; 2) proximity or relatedness of the goods; 3) the similarity of the marks; 4) evidence of actual confusion; 5) the marketing channels used; 6) the degree of care customers are likely to exercise in purchasing the goods; 7) the defendant's intent in selecting the mark; and 8) the likelihood of expansion into other markets. *Id.* Although the above factors are all appropriate for consideration in determining whether likelihood of confusion exists, not all of the factors are of equal importance or applicable in every case. *Downing*, 265 F.3d at 1008.

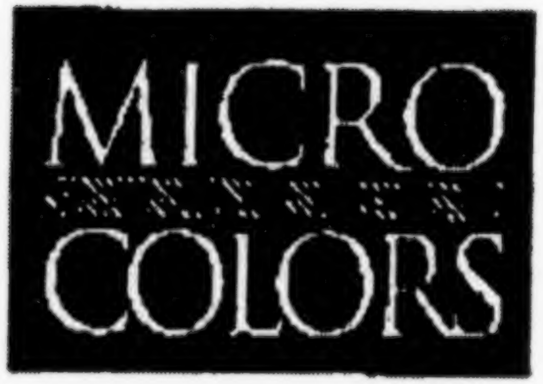
The application of these factors involves numerous genuine issues of material fact. As we have discussed, the fair use defense claimed by KP is a classic fair use defense that requires that there not be a likelihood of confusion. Because there are genuine issues of material fact concerning the likelihood of confusion, KP's motion for summary judgment can-not be upheld on this ground.

IV. Conclusion

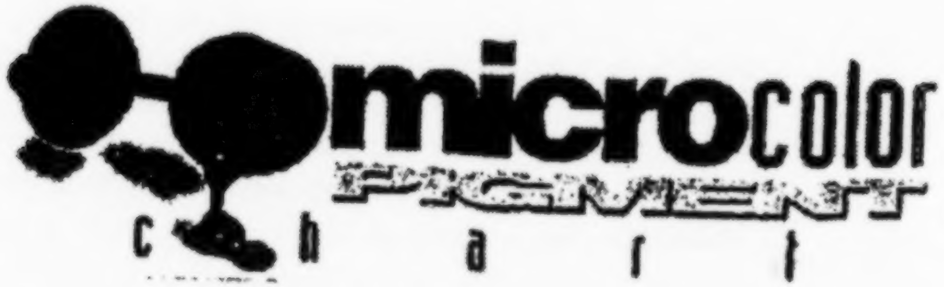
Based on the foregoing, we reverse the district court's grant of summary judgment for KP, the denial of Lasting's motion for summary adjudication, and remand the case for further proceedings in accordance with this opinion.

REVERSED AND REMANDED.

APPENDIX A



APPENDIX B



FOOTNOTES

N1 The parties use the term "micro color," "microcolor," and "micro colors" interchangeably. For purposes of this opinion, we will refer to the term as "micro color" or "micro colors." The minor difference in these terms has no significance in this action.

No. 01-56055
D.C. No. CV-00-00276-GLT

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

KP PERMANENT MAKE-UP, INC.,
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v.

LASTING IMPRESSION I, INC; MCN
INTERNATIONALINC,
Defendants-counter-claimants-Appellants,

ROES 1 THROUGH 10, inclusive,
Counter-defendant-Appellee.

ORDER

Before: HUG, BRUNETTI, and O'SCANNLAIN, Circuit Judges.

The Petition for Rehearing is DENIED.

Case No. SA CV 00-276-GLT (EEx)

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

K.P. PERMANENT MAKE-UP, INC.,
Plaintiff,

v.

LASTING IMPRESSION, INC., et al.,
Defendants

ORDER GRANTING PLAINTIFF'S MOTION FOR SUMMARY JUDGMENT AND DENYING DEFENDANT'S MOTION FOR SUMMARY ADJUDICATION

Plaintiff's Motion for Summary Judgment is GRANTED. Defendant's Motion for Summary Judgment is DENIED.

I. BACKGROUND

Plaintiff K.P. Permanent Make-up brought suit against Defendants Lasting Impression and MCN International for trademark infringement of the "microcolors" mark.fn1 Defendants counterclaimed, alleging it holds a registered trademark featuring the words "MICRO COLORS." Defendant Lasting Impression has been using its mark since March 1992 and registered it with the United States Patent and Trademark Office on May 11, 1993. Plaintiff argues it has been using the phrase "microcolors" since 1990.

Plaintiff brings a motion for summary judgment, and Defendants cross-move for summary judgment. Plaintiff's chief defenses are (1) Defendants' picture mark registration does not give Defendants the exclusive rights to the words "micro colors" separate from the logo; (2) the words "micro colors" are generic; (3) under the fair use doctrine, Plaintiff can still use "micro colors" because it is the senior user of the phrase "microcolor," having used the phrase since as early as 1990; (4) the phrase has no secondary meaning; (5) Defendants have also used "microcolors" in a generic sense and are estopped from arguing it is not generic; (6) Defendants cannot show likelihood of confusion; and (7) Plaintiff's continuous, prior use of the term "microcolor" defeats Defendants' claim to exclusivity. Defendants argue Plaintiff's first, fifth, sixth and seventh affirmative defenses are invalid. In addition, Defendants argue Plaintiff's first count for declaratory relief has no merit because Plaintiff cannot demonstrate the phrase "microcolor" is generic.

II. DISCUSSION

Summary judgment is proper if "there is no genuine issue as to any material fact and the moving party is entitled to a judgment as a matter of law." Fed. R. Civ. Proc. 56(c). A fact is material if it "might affect the outcome of the suit under the governing law." Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 248 (1986). A factual dispute is genuine "if the evidence is such that a reasonable jury could return a verdict for the nonmoving party." Id.

The moving party in a summary judgment motion bears the initial burden of showing the absence of a genuine issue of material fact. Celotex Corp. v. Catrett, 477 U.S. 317, 323 (1985). If the moving party makes this initial showing, the burden shifts to the nonmoving party to "designate specific facts showing that there is a genuine issue for trial." Id., 477 U.S. at 324 (citation omitted). In other words, the non-moving party must produce evidence that could cause reasonable jurors to disagree as to whether the facts claimed by the moving party are true.

In making a summary judgment determination, the Court must view the evidence presented in the light most favorable to the non-moving party, drawing "all justifiable inferences . . . in his favor." Anderson, 477 U.S. at 255. If the non-moving party fails to present a genuine issue of material fact, the Court must grant summary judgment. Celotex, 477 U.S. at 323-24. If, however, the evidence of a genuine issue of material fact is "merely colorable" or of insignificant probative value, summary judgment is appropriate. See Anderson, 477 U.S. at 249-50.

A. Generic of nature the Mark

"A generic term is one that does not distinguish the goods of one producer from the goods of others. Instead, it is one that either by definition or through common use 'has come to be understood as referring to the genus of which the particular product is a species.'" Keebler Co. v. Rovira Biscuit Corp., 624 F.2d 366, 373-74 (1st Cir. 1980) (citing Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F.2d 4, 9 (2d Cir. 1976)).Evidence to prove genericness can include the following: (1) generic use by competitors use which is not contested; (2) when the proponent of a trademark uses the term before the public as a generic name; (3) dictionary definitions; (4) media usage; and (5) consumer surveys. McCarthy on Trademarks, § 22:13.

To demonstrate whether "microcolor" or "micro color" as generic, Plaintiff and Defendant have both conducted internet searches for use of the phrase "micro color." See Defendants' Opposition, at 12. Companies from other business sectors used "microcolors," but as far as use in the permanent makeup industry, no others were found.

In addition to the internet search, Plaintiff asserts that, because Defendant has admitted "micropigmentation" and "pigmentation" are synonyms, and "pigment" and "colors" are used interchangeably in the industry, "micropigments" and "microcolors" are also synonyms. See Plaintiff's Motion, at 7; Story Depo. at 34:8-12; 34:13-35:17; McKinstry Depo. at 72:22-24; 73:8-24. Defendants argue Plaintiffs have misconstrued the deposition testimony. Regardless of the construction of the deposition testimony, one can "naturally conclude that micro colors and micro pigments are also synonyms...." Plaintiff's Motion, at 7.

It appears that "micro pigments" and "micro colors" are both, abbreviations for "micropigmentation color." Defendants do not raise a question of fact as to the specific association of "micro colors" with their goods. The most Defendants demonstrate as evidence is that "Skin Magazine," a reputable magazine catering to permanent makeup customers, lists the brand "micro colors" as cross-referenced between both Defendants. Defendant's Opposition, at 15. This may mean that "micro colors" is recognized as being used by Defendants, but it does not mean the phrase is not generic.

There is no evidence "micro colors" is not used commonly or interchangeably with "micro pigment" or "micro pigment colors." The phrase "micro colors" appears to have "'come to be understood as referring to the genus of which the particular product is a species.'"

Keebler Co. v. Rovira Biscuit Corp., 624 F.2d at 373-74. An example of the genus/species argument is that Defendants themselves have used "micro colors" in a generic manner in one brochure, the phrase, "Beware: Micro-Colors® Pigment is the first and only Micro-Colors available by MCN." 'Plaintiff's Exh. O. While the first "micro colors" phrase refers to Defendants' trademark, the second does not, and demonstrates the species within the genus. Keebler, at 373-74.

Even if the phrase "micro color" were not generic, "micro colors" is descriptive. Defendants themselves admit this. In Defendants' Motion for Summary Adjudication, they argue Plaintiff could not have acquired secondary meaning in the phrase "micro color" or "microcolors" because the phrase is descriptive. Defendants' Motion, at 30. If the descriptive nature of "micro colors" holds true for Plaintiff, it holds true for Defendants as well. Summary adjudication is GRANTED for Plaintiff's on this issue. See Celotex, 477 U.S. at 323-24.

B. Secondary Meaning

Both parties argue about their acquisition of secondary meaning with respect to the descriptive "micro colors" phrase. The "prime element of secondary meaning is a mental association in buyers' minds between the alleged mark and a single source of the product." McCarthy on Trademarks, § 15:02(1); see Armstrong Paint & Varnish Works v. Nu-Enamel, Corp., 305 U.S. 315 (1938).

Once a trademark achieves "incontestable" status, it is conclusively presumed that either the mark is non-descriptive, or if descriptive, has acquired secondary meaning. See 15 U.S.C. § 1115(b). Incontestable

status, is achieved after five years of use after federal registration and compliance with statutory formalities. See 15 U.S.C. § 1065. A challenger faced with an incontestable registered mark cannot raise the argument the mark is invalid because it is descriptive and lacks secondary meaning. See Park 'N Fly, Inc. v. Dollar Park & Fly, Inc., 469 U.S. 189, 205 (1985).

However, the presumption of distinctiveness is limited to the exact form of the mark as registered. See Beneficial Corp. v. Beneficial Capital Corp., 529 F. Supp. 445 (S.D.N.Y. 1982); In re National Data Corp., 753 F.2d 1056 (Fed. Cir. 1985). Defendant Lasting Impression's "micro colors" trademarked logo achieved incontestable status on May 11, 1998. The incontestable status applies to the logo in its entirety, and not merely the phrase "micro colors." See id. Defendants' argument Lasting Impression's "micro colors" trademark is completely textual and not limited to the words-in-the-box composite is not compelling. Defendants' Motion, at 3. The phrase "micro colors" is generic, or, if not, descriptive, and it is that descriptive phrase, juxtaposed with the black box and green line of Defendants' registered mark, that gives it its distinctiveness. See. e.g., Sweats Fashions, Inc. v. Pannill Knitting Co., 833 F.2d 1560, 1566 (Fed. Cir. 1987) (holding the generic or highly descriptive word "sweats" in a logo protected "only the particular manner" in which the word "sweats" was displayed.).

Because the phrase "micro colors" is generic, or, if not, descriptive, Defendant has the obligation to demonstrate secondary meaning. It cannot do so by merely pointing to the incontestability of its registered mark in its entirety.

Use by others of a similar mark will tend to dilute any customer recognition and association of that mark with the alleged owner. Such use by third parties is relevant to the issue of secondary meaning. Carter-Wallace, Inc., v. Proctor & Gamble Co., 434 F.2d 794 (9th Cir. 1970). Here, there is no issue of material fact that third parties have used the mark. Exhibit G, which is an advertisement by a company called Tattooing states, "Our Micro Colors are the best in the world." However, Tattooing has agreed to stop using the "micro colors" phrase at Defendants' request. See Defendants' Exh. 41.fn2 None of the other companies Plaintiff mentions use the "micro colors" phrase, although some use "micro pigment colors" or "micro pigment cosmetic color." See Plaintiff's Exhs. E, F, L.

To assert its trademarked "micro colors" brand has secondary meaning, Defendants argue that "Skin Magazine," a reputable magazine catering to permanent makeup customers, lists the brand "micro colors" as cross-referenced between both Defendants. Defendant's Opposition, at 15. Standing alone, this one reference does not demonstrate secondary meaning in the industry. To demonstrate Defendants' lack of secondary meaning, Plaintiff raises the issue of customer confusion. Plaintiff cites the McKinstry Deposition for the proposition that she is concerned people will confuse "micro pigment" with "micro colors." McKinstry Depo. at 72:22-73:24. McKinstry is worried because she has received reports from staff members that people are confused. Id.fn3

Plaintiff provides no counter-argument to Defendants' assertion Plaintiff's use of "micro colors" has no secondary meaning.

There is no question of material fact as to whether either party has acquired secondary meaning with respect to the use of the "micro colors" phrase. Apparently, neither has. Summary adjudication in favor of Plaintiff is appropriate on this issue. See Celotex, 477 U.S. at 323-24.

C. Fair Use Doctrine

The Lanham Act requires three elements to be established to prove a fair use defense: (1) use of the term is not as a trademark or service mark; (2) use of the term is done "fairly and in good faith"; and (3) use of the term is only to describe goods or services. 15 U.S.C. 1115(b)(4). In this case, Defendant has conceded Plaintiff is not using the term as a service mark or trademark. See Defendants' Motion, at 31-32. Defendant has also argued Plaintiff is using the term "descriptively on bottling labels and seminar flyers to identify [Plaintiff's] pigment colors or shades. Elements one and three have been established.

Plaintiff also contends it has satisfied the second element by using the "microcolors" phrase continuously since 1990 in trade shows and on their bottling labels. Because Plaintiff began using the mark before Defendants used theirs, and has continued use of the phrase, Plaintiff argues its use was done fairly and in good faith. The Court agrees. There is no issue of material fact as to the fair use defense, and summary adjudication is GRANTED in favor of Plaintiff on this issue. Celotex, 477 U.S. at 323-24.

The Court need not discuss Plaintiff's defense of prior use, as it has already determined Plaintiff could fairly use the "micro colors" phrase due to the generic or descriptive nature of the phrase. For the same reason, the Court also need not discuss any demonstration of likelihood of confusion.

Plaintiff is entitled to continue to use the phrase "microcolors" in the way it has been using it since 1991, as it pertains to its hues and pigments. Defendants are entitled to use their trademarked logo containing the phrase "micro colors." Thus, Plaintiff's motion for summary judgment is GRANTED, and Defendants' motion for summary adjudication is DENTED.fn5

DATED: May 16, 2001

GARY L. TAYLOR
UNITED STATES DISTRICT JUDCE

Footnotes

1. Defendants use "microcolor" and "micro color" interchangeably. Defendants' Motion, at 30. For purposes of this motion, "micro colors" and "microcolors" will be considered the same phrase.

2 "Plaintiff contends this is merely because Tattooing, Inc. did not want to go through the time and energy defending against Defendants' claims. Plaintiff's Reply, at 17.

3. Plaintiff also cites a declaration by Gloria Torres, in which she testifies she received calls from prospective customers who seemed confused by Defendants' "micro colors." The Torres Declaration was not provided to the Court, and so it cannot be considered as evidence.

4. Defendants argue in, their Motion for Summary Adjudication that Plaintiff is using the phrase descriptively. Motion, at 30. On the other hand, in Defendants' Reply brief they contend Plaintiff is merely using the phrase in a 'functional" manner. Reply, at 10. Defendants argue a "fairly used descriptive non-mark would only describe the goods and not identifying the goods with its source. Here, [Plaintiff] uses "microcolors" to refer to the hue or shade of [Plaintiff's] pigments, and not to describe the pigments." Reply, at 10. This, Defendants suggest, goes beyond mere description and leads to a suggested association of the pigments with Plaintiff. Id., This "functional" argument is not availing. Defendants cannot argue both sides of the coin.

5. For purposes of this motion, plaintiff's objections to defendants, declarations are OVERRULED.

Lanham Act §33(b) which appears at 15 U.S.C. §1115(b):

(b) Incontestability; defenses

To the extent that the right to use the registered mark has become incontestable under section 1065 of this title, the registration shall be conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce. Such conclusive evidence shall relate to the exclusive right to use the mark on or in connection with the goods or services specified in the affidavit filed under the provisions of section 1065 of this title, or in the renewal application filed under the provisions of section 1059 of this title if the goods or services specified in the renewal are fewer in number, subject to any conditions or limitations in the registration or in such affidavit or renewal application. Such conclusive evidence of the right to use the registered mark shall be subject to proof of infringement as defined in section 1114 of this title, and shall be subject to the following defenses or defects:

(1) That the registration or the incontestable right to use the mark was obtained fraudulently; or

(2) That the mark has been abandoned by the registrant; or

(3) That the registered mark is being used by or with the permission of the registrant or a person in privity with the registrant, so as to misrepresent the source of the goods or services on or in connection with which the mark is used; or

(4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin; or

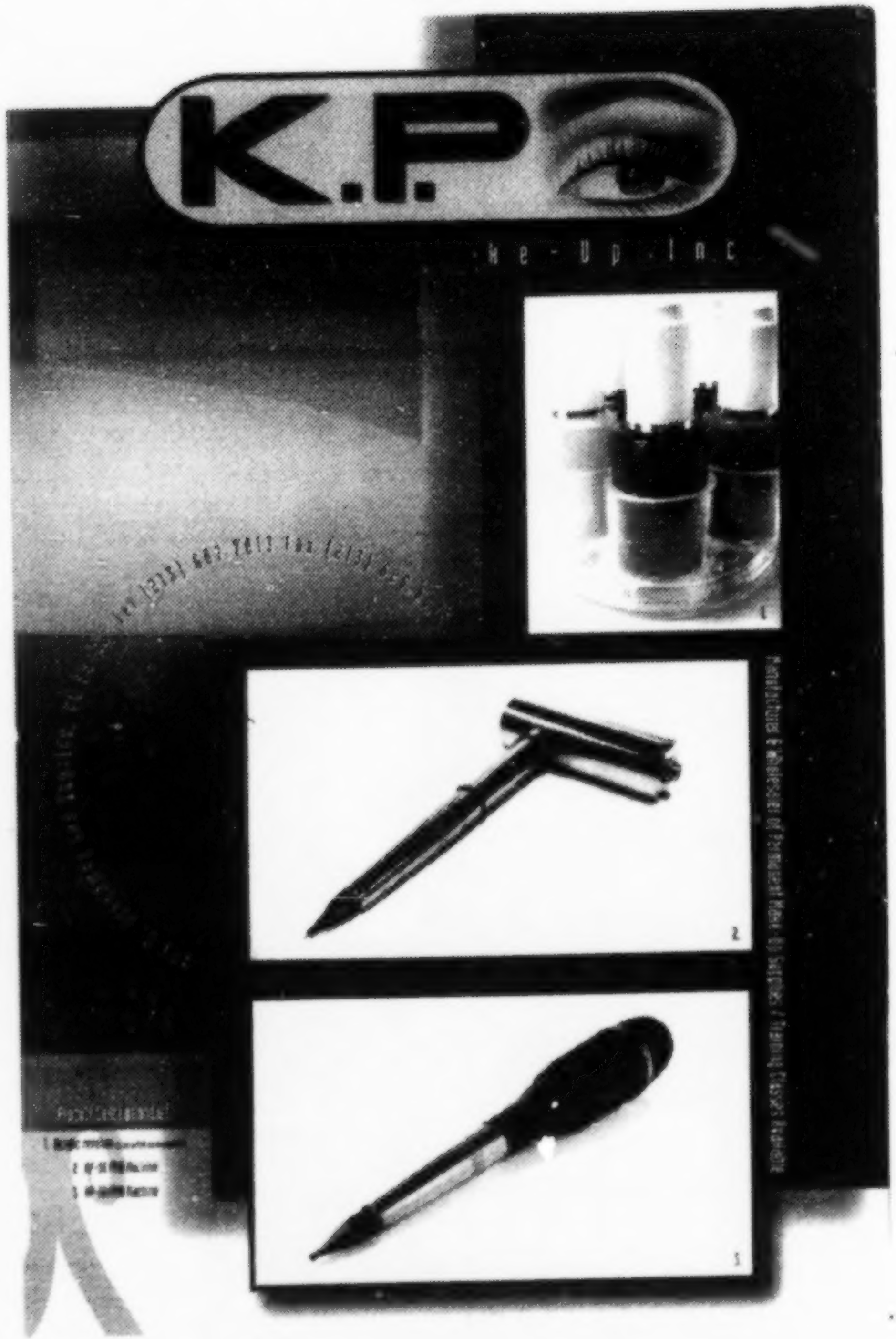
(5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to (A) the date of constructive use of the mark established pursuant to section 1057(c) of this title, (B) the registration of the mark under this chapter if the application for registration is filed before the effective date of the Trademark Law Revision Act of 1988, or (C) publication of the registered mark under subsection (c) of section 1062 of this title: *Provided, however,* That this defense or defect shall apply only for the area in which such continuous prior use is proved; or

(6) That the mark whose use is charged as an infringement was registered and used prior to the registration under this chapter or publication under subsection (c) of section 1062 of this title of the registered mark of the registrant, and not abandoned: *Provided, however,* That this defense or defect shall apply only for the area in which the mark was used prior to such registration or such publication of the registrant's mark; or

(7) That the mark has been or is being used to violate the antitrust laws of the United States; or

(8) That the mark is functional; or

(9) That equitable principles, including laches, estoppel, and acquiescence, are applicable.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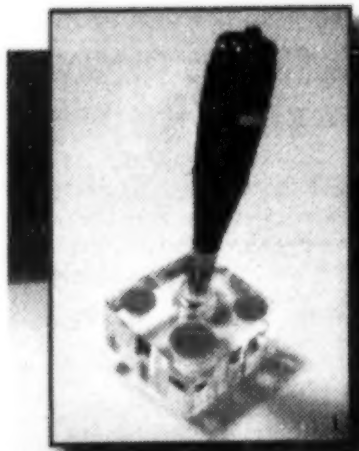
ke-Up Inc
Manufacturer & Wholesaler of Permanent Make-Up Supplies / Training Classes Available
1
2
3

BEST AVAILABLE COPY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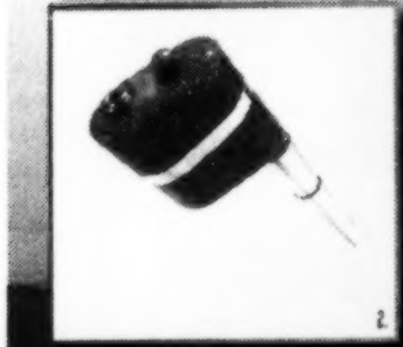
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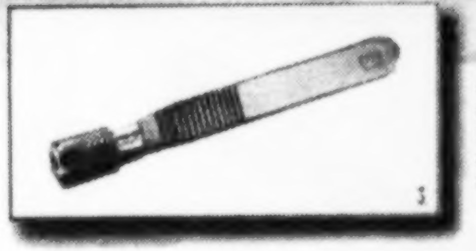
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Product Description List

1 HP-[illegible] acrylic holder
2 HP-[illegible] PMU Machine
3 Stainless Steel Manual Pen
4 HP-[illegible] PMU Machine [illegible]
5 [illegible]
6 HP-[illegible] PMU Machine [illegible]
7 HP-[illegible] PMU Machine [illegible]
8 [illegible]
9 Eye Brow Design Kit [illegible]
10 Eye Lash [illegible]

H.P. Permanent Make-Up Inc. ©199

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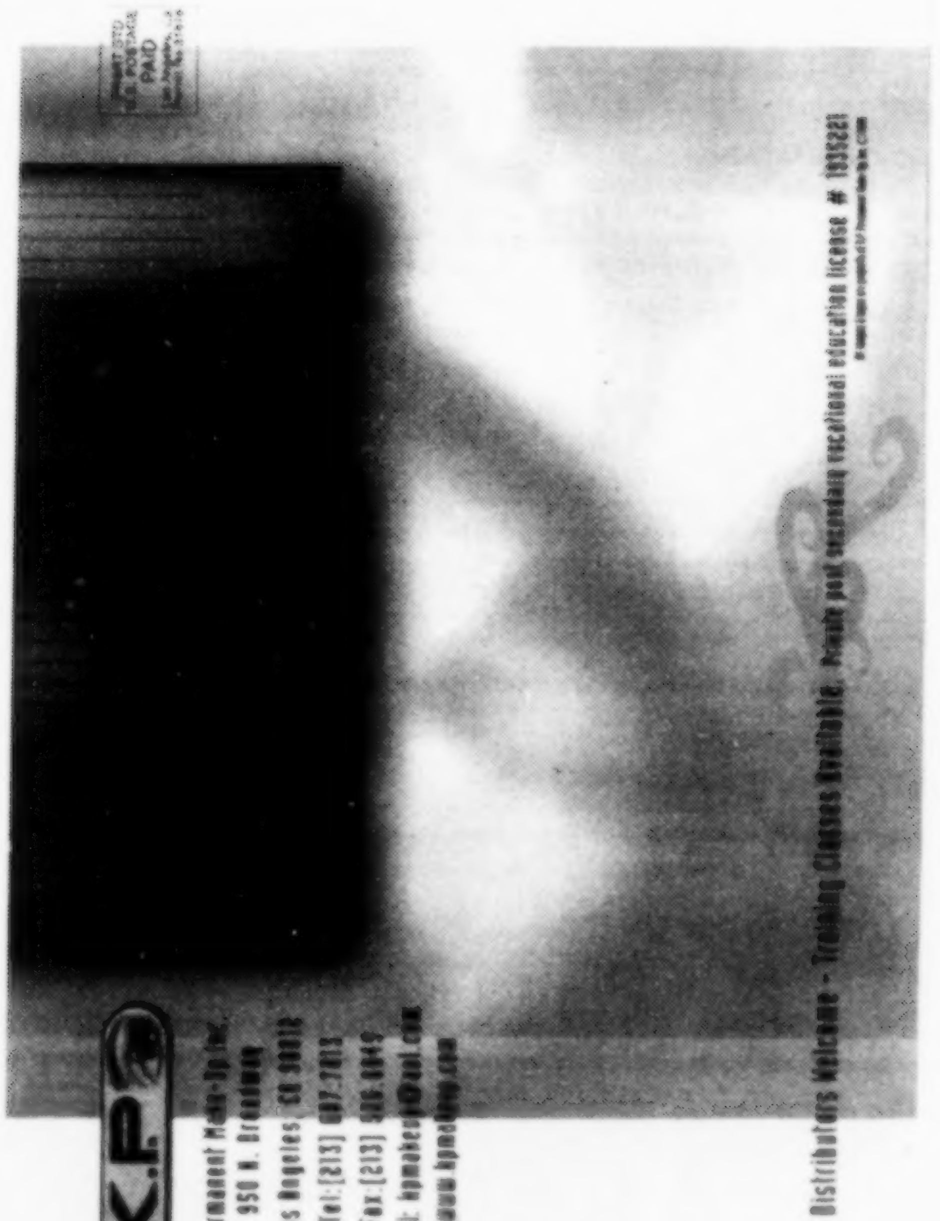
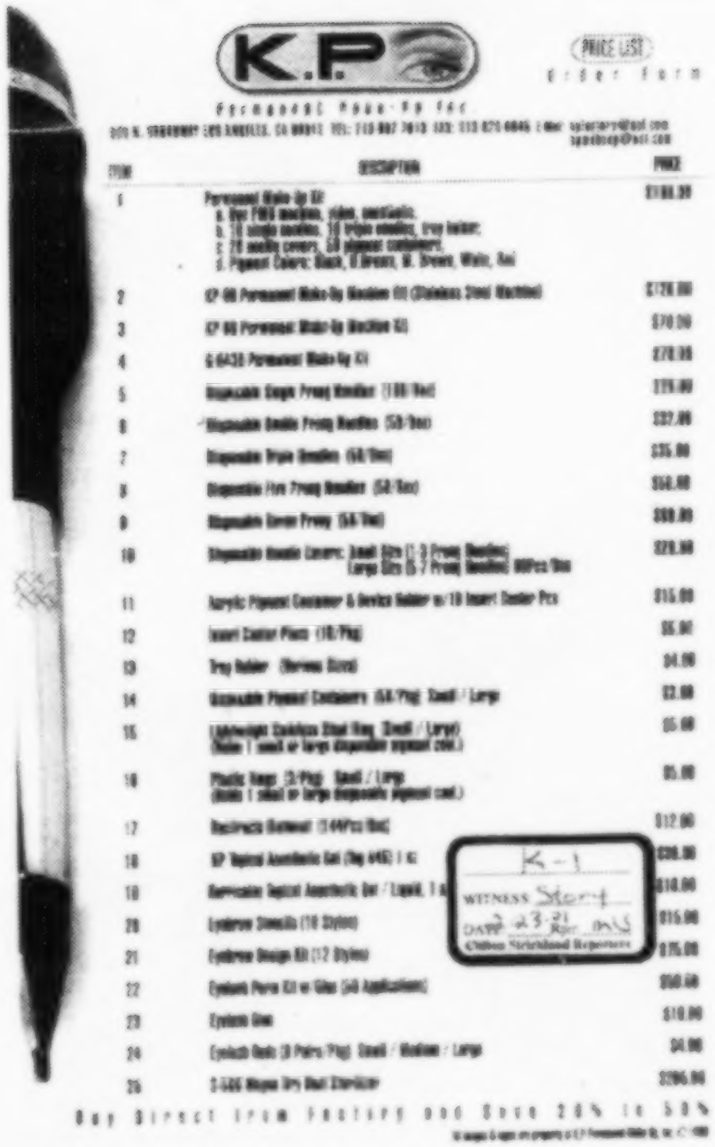


PRSRT STD
U.S. POSTAGE
PAID

K.P.

Permanent Make-Up Inc.
950 N. Broadway
Los Angeles, CA 90012
Tel: (213) 687-7813
Fax: (213) 626-6849
E-Mail: kpmakeup@aol.com
www.kpmakeup.com

Distributors Welcome - Training Classes Available: Private post secondary vocational education license # 1935281



K.P.

PRICE LIST
Order Form

Permanent Make-Up Inc

ITEM	DESCRIPTION	PRICE
1	Permanent Make-Up Kit a. One PMU machine, video, anesthetic. b. 10 single needles, 10 triple needles, tray holder. c. 20 needle covers, 50 pigment containers. d. Pigment Colors: Black, D. Brown, M. Brown, White, Red	[illegible]
2	KP 88 Permanent Make-Up Machine Kit (Stainless Steel Machine)	[illegible]
3	KP 88 Permanent Make-Up Machine Kit	[illegible]
4	G 6430 Permanent Make-Up Kit	[illegible]
5	Disposable Single Prong Needles (100/Box)	[illegible]
6	Disposable Double Prong Needles (50/Box)	[illegible]
7	Disposable Triple Needles (50/Box)	$35.00
8	Disposable Five Prong Needles (50/Box)	[illegible]
9	Disposable Seven Prong (50/Box)	[illegible]
10	Disposable Needle Covers: Small Size (1-3 Prong Needles) Large Size (5-7 Prong Needles) 80Pcs/Box	[illegible]
11	Acrylic Pigment Container & Device Holder w/10 Insert Caster Pcs	$15.00
12	Insert Caster Piece (10/Pkg)	$5.00
13	Tray Holder (Various Sizes)	$4.00
14	Disposable Pigment Containers (50/Pkg) Small / Large	$3.00
15	Lightweight Stainless Steel Ring Small / Large) (Holds 1 small or large disposable pigment cont.)	$5.00
16	Plastic Rings (5/Pkg) Small / Large (Holds 1 small or large disposable pigment cont.)	$5.00
17	Bacitracin Ointment (144Pcs/Box)	$12.00
18	KP Topical Anesthetic Gel [illegible] 1 oz.	[illegible]
19	Hurricaine Topical Anesthetic Gel / Liquid, 1 oz	$10.00
20	Eyebrow Stencils (10 Styles)	$15.00
21	Eyebrow Design Kit (12 Styles)	$75.00
22	Eyelash Perm Kit w Glue (50 Applications)	$50.00
23	Eyelash Glue	$10.00
24	Eyelash Rods (3 Pairs/Pkg) Small / Medium / Large	$4.00
25	[illegible] Dry Heat Sterilizer	[illegible]

Buy Direct from Factory and Save 20% to 50%

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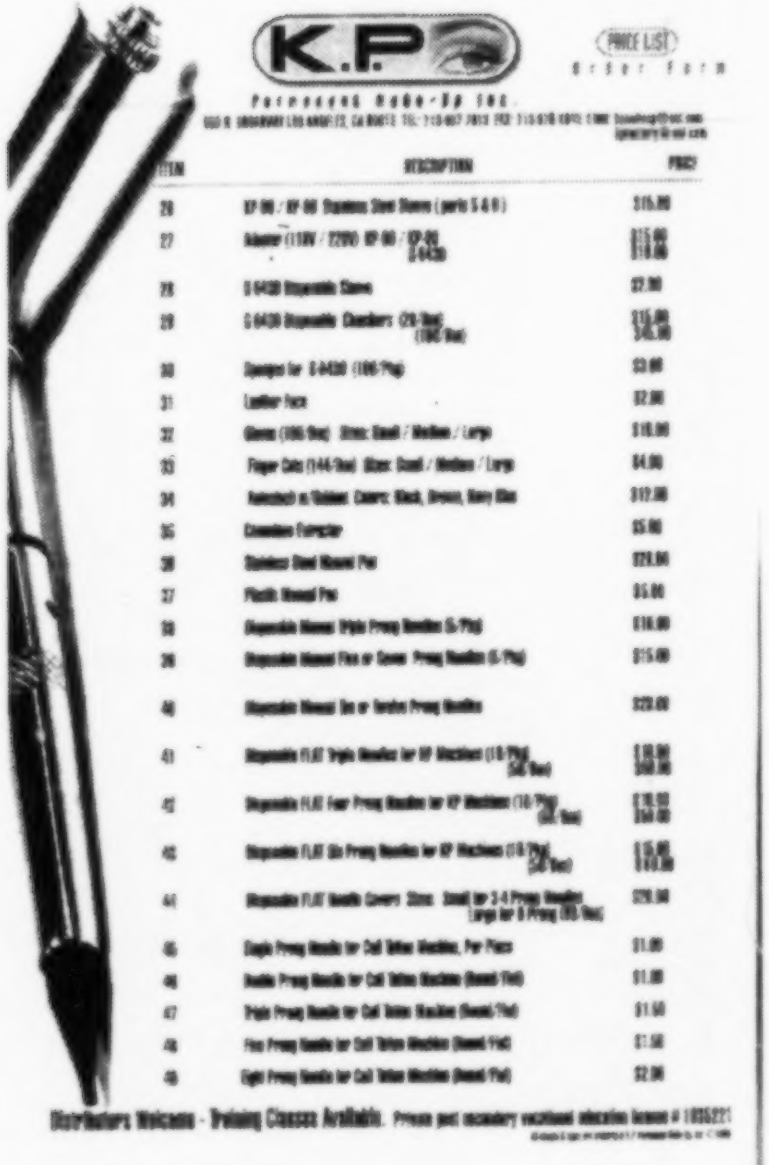
WITNESS Storf
DATE 2-23-21
Clifton Strickland Reporters



K.P.

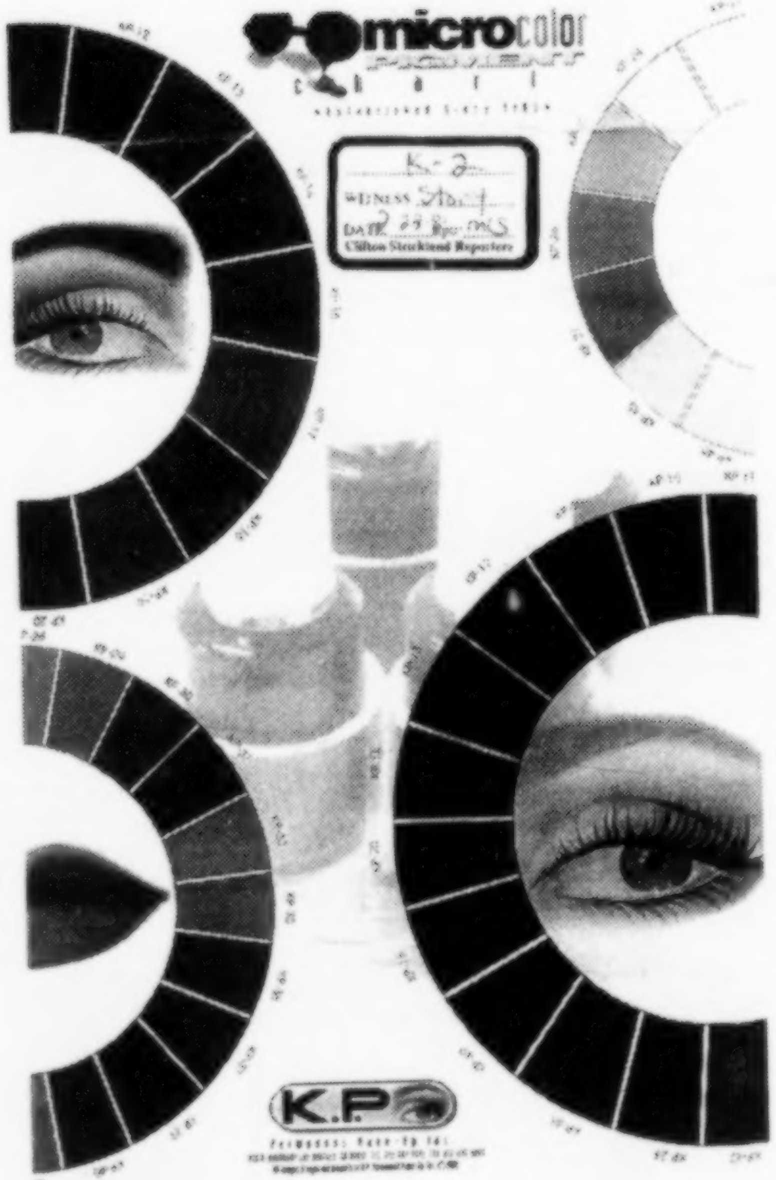
PRICE LIST

Order Form

Permanent Make-Up Inc.

ITEM	DESCRIPTION	PRICE
26	KP-86 / KP-96 Stainless Steel Sleeve (parts 5 & 6)	$15.00
27	Adapter (110V / 220V) KP-86 / KP-96 G-6430	$15.00 [illegible]
28	G-6430 Disposable Sleeve	$7.00
29	G-6430 Disposable Chambers (20/box) (100/box)	$15.00 [illegible]
30	Sponges for G-6430 (100/Pkg)	$3.00
31	Leather Face	$2.00
32	Gloves (100/box) Sizes: Small / Medium / Large	$10.00
33	Finger Cots (144/box) Sizes: Small / Medium / Large	$4.00
34	[illegible] Colors: Black, Brown, Navy Blue	$12.00
35	[illegible]	$5.00
36	Stainless Steel Manual Pen	$20.00
37	Plastic Manual Pen	$5.00
38	Disposable Manual Triple Prong Needles (5/Pkg)	$10.00
39	Disposable Manual Five or Seven Prong Needles (5/Pkg)	$15.00
40	Disposable Manual Six or Twelve Prong Needles	$20.00
41	Disposable FLAT Triple Needles for KP Machines (10/Pkg) (50/box)	[illegible]
42	Disposable FLAT Four Prong Needles for KP Machines (10/Pkg) (50/box)	[illegible]
43	Disposable FLAT Six Prong Needles for KP Machines (10/Pkg) (50/box)	[illegible]
44	Disposable FLAT Needle Covers Sizes: [illegible]	$20.00
45	Single Prong Needle for Coil Tattoo Machine, Per Piece	$1.00
46	Double Prong Needle for Coil Tattoo Machine [illegible]	$1.00
47	Triple Prong Needle for Coil Tattoo Machine [illegible]	$1.50
48	Five Prong Needle for Coil Tattoo Machine [illegible]	$1.50
49	Eight Prong Needle for Coil Tattoo Machine [illegible]	$2.00

Distributors Welcome - Training Classes Available.



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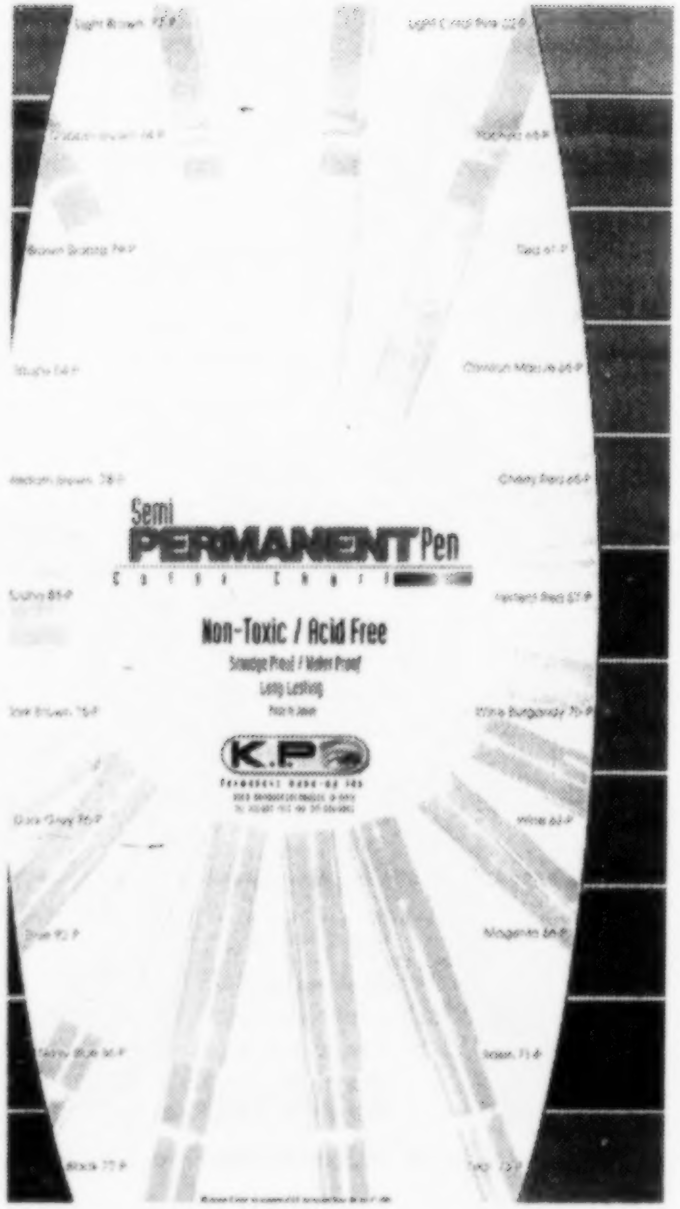
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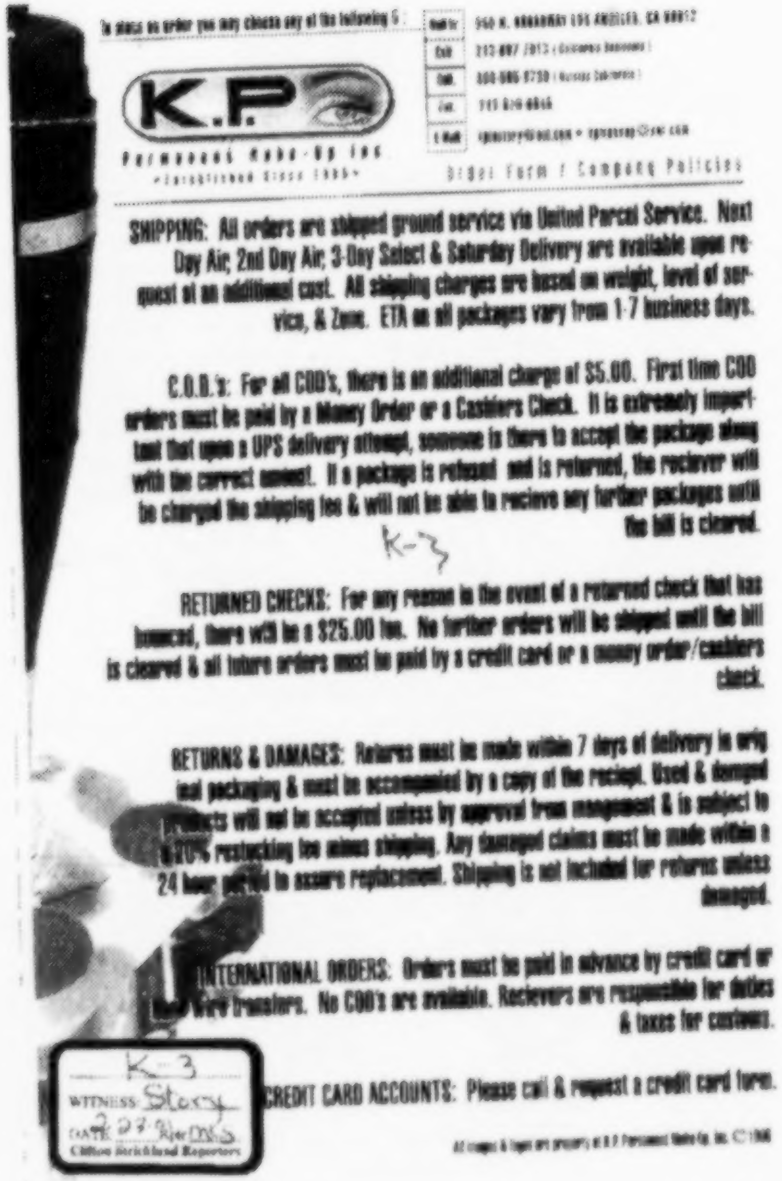
Dark Brown 75-P
Medium Brown
Dark Gray
Blue
Navy Blue
Black 77-P
Cherry Red
Wine Burgundy
White
Magenta
Red
Semi
PERMANENT Pen
Color Chart
Non-Toxic / Acid Free
Smudge Proof / Water Proof
Long Lasting
Made in Japan
K.P.
Permanent Make-Up Inc



To place an order you may choose any of the following 5 :

Mail To [illegible]
Call [illegible]
Fax [illegible]
Cel. [illegible]
E-Mail [illegible]

K.P.
Permanent Make-Up Inc
Established Since 1995

Order Form / Company Policies

SHIPPING: All orders are shipped ground service via United Parcel Service. Next Day Air, 2nd Day Air, 3-Day Select & Saturday Delivery are available upon request at an additional cost. All shipping charges are based on weight, level of service, & Zone. ETA on all packages vary from 1-7 business days.

C.O.D.'s: For all COD's, there is an additional charge of $5.00. First time COD orders must be paid by a Money Order or a Cashiers Check. It is extremely important that upon a UPS delivery attempt, someone is there to accept the package along with the correct amount. If a package is refused and is returned, the reciever will be charged the shipping fee & will not be able to recieve any further packages until the bill is cleared.

K-3

RETURNED CHECKS: For any reason in the event of a returned check that has bounced, there will be a $25.00 fee. No further orders will be shipped until the bill is cleared & all future orders must be paid by a credit card or a money order/cashiers check.

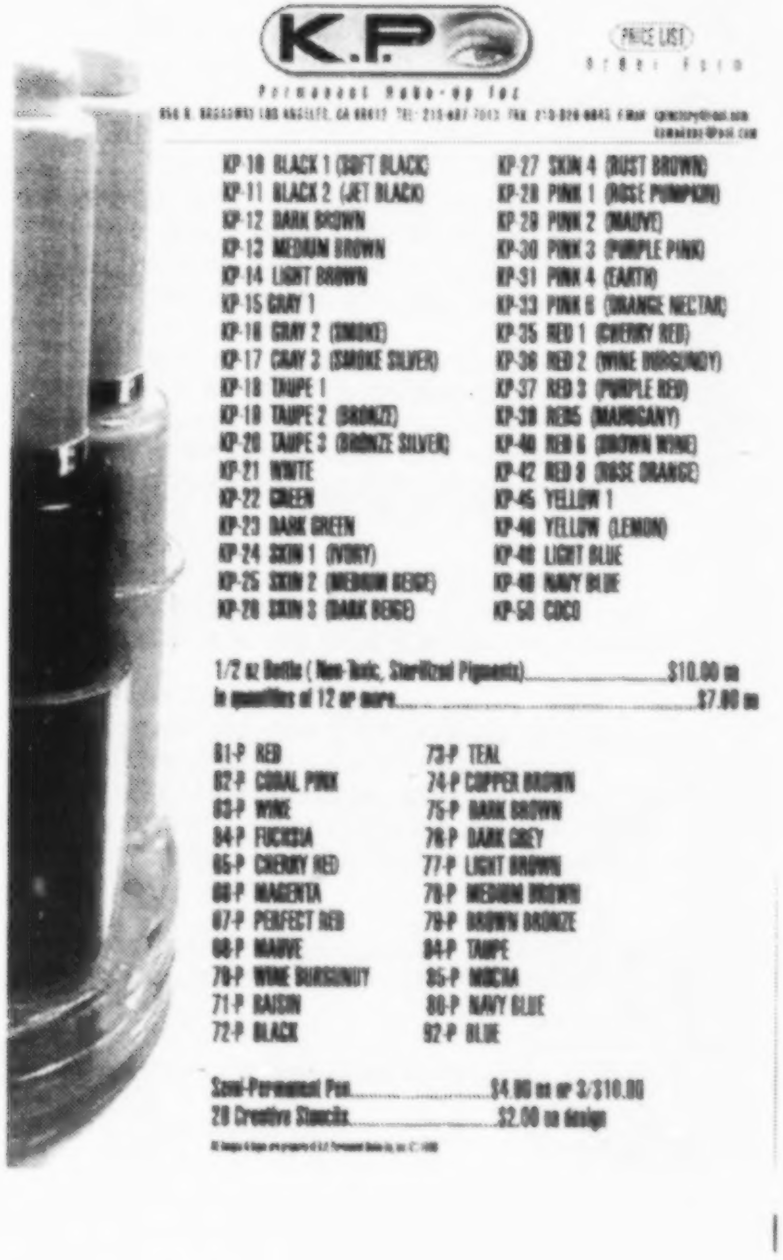
RETURNS & DAMAGES: Returns must be made within 7 days of delivery in original packaging & must be accompanied by a copy of the reciept. Used & damaged products will not be accepted unless by approval from management & is subject to a 20% restocking fee minus shipping. Any damaged claims must be made within a 24 hour period to assure replacement. Shipping is not included for returns unless damaged.

INTERNATIONAL ORDERS: Orders must be paid in advance by credit card or wire transfers. No COD's are available. Recievers are responsible for duties & taxes for customs.

CREDIT CARD ACCOUNTS: Please call & request a credit card form.

K-3
WITNESS: Story
DATE: 2-27-01 Ker CSR
Clifton Strickland Reporters

All images & logos are property of K.P. Permanent Make-Up, Inc. © 1996



K.P.

PRICE LIST

Order Form

Permanent Make-up Inc

KP-10 BLACK 1 (SOFT BLACK)
KP-11 BLACK 2 (JET BLACK)
KP-12 DARK BROWN
KP-13 MEDIUM BROWN
KP-14 LIGHT BROWN
KP-15 GRAY 1
KP-16 GRAY 2 (SMOKE)
KP-17 GRAY 3 (SMOKE SILVER)
KP-18 TAUPE 1
KP-19 TAUPE 2 (BRONZE)
KP-20 TAUPE 3 (BRONZE SILVER)
KP-21 WHITE
KP-22 GREEN
KP-23 DARK GREEN
KP-24 SKIN 1 (IVORY)
KP-25 SKIN 2 (MEDIUM BEIGE)
KP-26 SKIN 3 (DARK BEIGE)
KP-27 SKIN 4 (RUST BROWN)
KP-28 PINK 1 (ROSE PUMPKIN)
KP-29 PINK 2 (MAUVE)
KP-30 PINK 3 (PURPLE PINK)
KP-31 PINK 4 (EARTH)
KP-33 PINK 6 (ORANGE NECTAR)
KP-35 RED 1 (CHERRY RED)
KP-36 RED 2 (WINE BURGUNDY)
KP-37 RED 3 (PURPLE RED)
KP-38 RED5 (MAHOGANY)
KP-40 RED 6 (BROWN WINE)
KP-42 RED 8 (ROSE ORANGE)
KP-45 YELLOW 1
KP-46 YELLOW (LEMON)
KP-48 LIGHT BLUE
KP-49 NAVY BLUE
KP-50 COCO

1/2 oz Bottle (Non-Toxic, Sterilized Pigments)........................$10.00 ea
In quantities of 12 or more..$7.00 ea

61-P RED
62-P CORAL PINK
63-P WINE
64-P FUCHSIA
65-P CHERRY RED
66-P MAGENTA
67-P PERFECT RED
68-P MAUVE
70-P WINE BURGUNDY
71-P RAISIN
72-P BLACK
73-P TEAL
74-P COPPER BROWN
75-P DARK BROWN
76-P DARK GREY
77-P LIGHT BROWN
78-P MEDIUM BROWN
79-P BROWN BRONZE
84-P TAUPE
85-P MOCHA
86-P NAVY BLUE
92-P BLUE

Semi-Permanent Pen..........................$4.00 ea or 3/$10.00
20 Creative Stencils..........................$2.00 ea design

DEC 8 - 2003

No. 03-409

IN THE

Supreme Court of the United States

KP PERMANENT MAKE-UP, INC.,

Petitioner,

v.

LASTING IMPRESSIONS I, INC. and
MCN INTERNATIONAL, INC.,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

BRIEF IN OPPOSITION

CHARLES C.H. WU
WU & CHEUNG, L.L.P.
7700 Irvine Center Drive
Suite 710
Irvine, CA 92618
(949) 251-0111

Attorneys for Respondents

184592

COUNSEL PRESS
(800) 274-3321 • (800) 359-6859

STATEMENT PURSUANT TO RULE 29.6

Neither Respondent has a parent corporation and no publicly held company owns 10% or more of either corporations' stock.*

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* Lasting Impressions I, Inc. is erroneously sued herein as Lasting Impressions, Inc.

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I.

REASONS FOR DENYING THE PETITION

The sole question presented by the Petition is whether the application of the fair use doctrine as a defense to a claim of infringement of an incontestable trademark requires the party asserting the doctrine to also establish an absence of likelihood of confusion. Pet. at 1. This issue need not be addressed by this Court in the context of this case.

First, the application of the "fair use" doctrine is inapplicable to this case. The subject mark, MicroColors®, is neither generic, nor descriptive. At worst, the mark is suggestive. The doctrine of "fair use" is inapplicable to a mark which is either suggestive, or arbitrary/fanciful. Until there is a determination that mark "MicroColors®" is descriptive, the doctrine of fair use is inapplicable.

Second, the alleged harm due to a split amongst the Circuits is fictional because the overwhelming majority of the Circuits apply the same standard as the Ninth Circuit. Only the Second Circuit applies the "fair use" doctrine without considering the issue of likelihood of confusion.

The Ninth Circuit ruling was proper in all respects and Respondents respectfully urge this Honorable Court to deny the Petition for Writ of Certiorari.

II.

FACTS IN DISPUTE

Petitioner disingenuously alleges that the basic facts of this case are undisputed. Pet. at 2. Specifically, Petitioner informs the Court that it "has been using the term microcolor to describe its selection of pigment colors since 1990 on flyers, and since 1991 on pigment bottles." *Id.* Petitioner is wrong! This fact has not been adjudicated by either the district court or the Ninth Circuit.

The existence or non-existence of this fact has a direct impact upon the issue of "fair use." Specifically, if Petitioner cannot establish an earlier use than Respondents' use as a trademark, Petitioner cannot claim the mark MicroColors® is descriptive. If MicroColors® is neither descriptive nor generic, the doctrine of fair use is inapplicable.

III.

THE FAIR USE DOCTRINE IS INAPPLICABLE TO THIS CASE

Petitioner alleges that its use of Respondents' incontestable trademark is permissible pursuant to Section 1115(b)(4) of Title 15 of the United States Code. As a threshold matter, Respondent must first establish that Respondent's mark is descriptive[1] before the doctrine of fair

use may be applied. *See McCarthy, McCarthy on Trademarks and Unfair Competition* § 11.17. In 1924, this Court undertook that examination as a threshold matter before rendering a decision of non-infringement. *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526, 44 S. Ct. 615, 68 L. Ed. 1161 (1924).

The mark in question in *William R. Warner & Co., supra*, was "Coco-Quinine" used in connection with a chocolate flavored quinine liquid medicine. Plaintiff in that case attempted to enjoin defendant from using the mark Quin-Coco to identify its chocolate flavored quinine medicine. The Court found that the mark "Coco-Quinine" was merely descriptive thus there was no infringement. 265 U.S. at 616. Petitioner erroneously contends if the Lanham Act had been in effect at this time the fair use defense would not have been applicable because Defendant was using the name of its medicinal concoction as a trademark that was confusingly similar to the brand name used by Plaintiff. Pet. at 9. Petitioner's theoretical leap is unsupported by the decision rendered by the Court. The only reason Defendant was enjoined from using the mark "Quin-Coco" was because Defendant's sales agents induced pharmacists to substitute Defendant's cheaper product in lieu of Plaintiff's product, and that such inducement was predicated upon the similarity of the two formulations and trademarks. Consequently, has Defendant not engage in such unfair and inequitable conduct which result in confusion, Defendant would have been permitted to continue using the mark "Quin-Coco" because the mark "Coco Quinine" was descriptive.

Here, the Ninth Circuit unequivocally determined the mark MicroColors® is not generic. *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 328 F.3d 1061, 1070

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[1] A mark is "descriptive" if it identifies: the intended purpose, function or use of the goods, a desirable characteristic of the good, the nature of the goods, or the end effect upon the user. *McCarthy, McCarthy on Trademarks and Unfair Competition* § 11.05[2][a] (1997).

(9th Cir. 2003) ("A reasonably minded jury could not conclude from the evidence produced that "micro colors" is a generic term."). Petitioner does not dispute this holding.

The Ninth Circuit further held the mark "micro colors" is not descriptive. *Id.* at 1071. In support of this determination, one may look to any dictionary. Specifically, the most current version of *Webster's Dictionary* is devoid of any definition for the terms "micro color," "micro colors," "microcolor" or "microcolors." *See Merriam-Webster's Collegiate® Dictionary* (11th ed. 2003). In the absence of any recognized definition in the English language, the term cannot be descriptive. This holding Petitioner obviously disputes by filing the instant petition.

The doctrine of fair use only permits a junior trademark user to use a trademark which is "descriptive." 15 U.S.C. § 1115(b)(4); *see also McCarthy*, *supra*, § 11.17[1] (1997). There is no evidence that the mark MicroColors® is descriptive. Petitioner has presented no evidence of descriptiveness, 328 F.3d at 1071, and the term is not recognized in the English language. Therefore the mark MicroColors® is either arbitrary/fanciful,[2] or at worst suggestive[3]. Because the mark MicroColors® is either arbitrary, fanciful or suggestive, the doctrine of fair use is inapplicable here.

The mark "microcolor" used by Petitioner is not necessary for describing the actual product. The proper name for the relevant product is known as either "permanent make-up" or "micropigmentation." *KP Permanent*, *supra*, 328 F.3d at 1065.[4] Specific to the industry, the subject product is a tatooing ink used in the trade of permanent make-up. MicroColors® does not describe the subject product with respect to its intended purpose, function or use of the goods, a desirable characteristic of the good, the nature of the goods, or the end effect upon the user. The mark "micro colors" could just easily be applied to a color computer printer or color photocopier without describing the product thus making the mark protectable suggestive trademark because it requires the consumer to exercise his or her imagination to reach a conclusion as to the nature of the goods bearing the mark.

Therefore, identification of the proper test for the application of the "fair use" doctrine should not be addressed by this Honorable Court with respect to this case until it is determined that the doctrine is truly applicable, i.e., the mark MicroColors® is a descriptive mark.

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[2] Fanciful marks consisted of "coined" words that have been invented or selected for the sole purpose of functioning as a trademark, e.g., Kodak®. *Tisch Hotels, Inc. v. American Inn, Inc.*, 350 F.2d 609 (7th Cir. 1965). Arbitrary marks comprise those words, symbols, pictures, etc. that are in common linguistic use but which, when used with the goods or services in issue, neither suggest nor describe any ingredient, quality or characteristic of those goods or services. *Id.*

[3] A mark which merely suggests rather than describes some quality or ingredient of the good, and requires the consumer to (Cont'd)

(Cont'd)
exercise his imagination to reach a conclusion as the nature of the goods. *Vision Center v. Optiks, Inc.*, 596 F.2d 111, 115-16 (5th Cir. 1979), *cert denied*, 444 U.S. 1016 (1980); *see also McCarthy, supra* at § 11.20[1].

[4] In its brief to the Ninth Circuit, Petitioner also referred to the product as "micropigmentation color."

IV.

THE DECISION RENDERED BY THE NINTH CIRCUIT COMPORTS WITH THE OVERWHELMING MAJORITY OF THE REMAINING CIRCUITS

Petitioner claims in support of its Petition for Writ of Certiorari that there is a split amongst the Circuits. This alleged split is not a split at all but rather one renegade Circuit applying its own standard for the determination of "fair use." The Second Circuit is the lone Circuit not to consider the factor of "likelihood of confusion" when assessing whether a junior trademark user has infringed a valid incontestable trademark. *Cosmetically Sealed Indus., Inc. v. Chesebrough-Pond's USA, Co.*, 125 F.3d 28 (2d Cir. 1997). In contrast, the Ninth Circuit in the matter under consideration applied the "fair use" standard recognized by the overwhelming majority of federal circuits courts and this Court.

The First Circuit recognized that in the absence of likelihood of confusion, a junior trademark user may properly use a descriptive trademark to describe its product. *Leathersmith of London, Ltd. v. Alleyn*, 609 F.2d 27 (1st Cir. 1982), *cert. denied*, 459 U.S. 1209 (1983). In *Leathersmith*, the First Circuit was asked to determine if the incorporation of "leathersmith" in Defendant's name, Tantulus Custom Leathersmith and Bookbinders, was an infringement of Plaintiff's trademark Leathersmith®. The Court concluded that there was no infringement but Defendant's use was fair because "[t]here is no likelihood of confusion or mistake as to the source of the origins of Alleyn's goods." 609 F.2d at 29.

The Fourth Circuit likewise applies the standard of likelihood of confusion when addressing the defense of fair use. *Shakespeare Co. v. Silstar Corp. of Am., Inc.*, 110 F.3d 234 (4th Cir. 1997), *cert. denied*, 522 U.S. 1046 (1998). Defendant manufactured a fishing rod which duplicated the color scheme of Plaintiff's fishing rod. Defendants' duplication was the result of Defendants' use of the same materials which comprised Plaintiff's rod to achieve the same utility based upon these materials. The Fourth Circuit found that in the absence of confusion, Defendant's use of the same color scheme was fair use because "likelihood of confusion is an essential element of an infringement claim." 110 F.3d at 238. Thus, in the absence of proof of likelihood of confusion, infringement cannot subsist thus classifying the use as fair.

In conformity with its sister circuits, the Fifth Circuit requires the existence of "likelihood of confusion" to defeat a claim of fair use. *Soweco, Inc. v. Shell Oil Co.*, 617 F.2d 1178, 1186, 1187 (5th Cir. 1980), *cert. denied*, 450 U.S. 981 (1981). The Fifth Circuit was requested to determine if the incontestable mark Larvacide® was descriptive, and whether Defendant could permissibly incorporate the term in its pesticides: "Shell® Poultry Spray & Larvacide" and "Rabon® Oral Larvacide." The Fifth Circuit found Defendant's use of the mark Larvacide® to be descriptive of the intended result of its pesticide, and not a confusing with the source of Plaintiff's product. *Id.* at 1189 ("The jury found that Shell used each of the product names . . . 'as a word combination . . . to identify its goods and to distinguish it from those manufactured by another,'" i.e., no confusion between Shell and its competitors, including Plaintiff). This application was affirmed in the later decision of *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786 (5th Cir.

1983) ("[Defendants] are still free to use the words "fish fry" in their ordinary, descriptive sense, so long as such use will not tend to confuse customers as to the source of the goods." (Emphasis added)).

The Seventh Circuit in *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.*, 64 F.3d 1055 (7th Cir. 1995), found the factor of "likelihood of confusion" to be applicable when assessing the fairness of the use of a descriptive trademark on a competing product. The case presented to the Seventh Circuit involved the use of the phrase "sweet-tart" by Defendant in an advertising campaign for its cranberry juice drink. Plaintiff alleged infringement of its incontestable trademark SweeTARTS® which was used on candy. The Seventh Circuit found, without taking analyzing likelihood of confusion, that Defendant's use was fair because such use appeared in connection with on a wholly different product. However, the Seventh Circuit stated *in dicta*: "If [Defendant] were to advertise its candy as "sweet-tart"—or if there were evidence, . . . that consumers have become confused about the source of [Defendant's candies]—Plaintiff would have a strong claim for [injunctive] relief . . ." 64 F.3d at 1060. In sum, the Seventh Circuit applies the likelihood of confusion standard when mark is applied with respect to similar competing products which is the case here.

The factor of "likelihood of confusion" rightfully cannot be ignored when evaluating the merit of a "fair use defense" because liability under the Lanham Act for trademark infringement is predicated on use of a registered trademark that is "likely to cause confusion." 15 U.S.C. § 1114(1)(a). Moreover, dispute between the parties regarding the use of "micro colors" is in regard to identical competing products.

To ignore the likelihood of confusion standard would result in the complete evisceration of the infringement standard pursuant to Section 1114(a)(a) of the Lanham Act.

Only the Second Circuit believes it is proper to ignore the factor of likelihood of confusion when addressing the applicability of the fair use defense. *Cosmetically Sealed, supra.* The Second Circuit uniquely believes there is justification for ignoring the likelihood of confusion standard simply because the trademark holder selected a mark which is descriptive. This thought process is draconian based upon its effective evisceration of a trademark holders rights gained as a result of five years of continuous use without an adverse judicial determination, i.e., constestability.

As explained above, the Ninth Circuit as well as the remainder of the Circuits, with the exception of the Second Circuit, properly apply the "likelihood of confusion" factor in conjunction with the doctrine of fair use. The decision under consideration by this Court comports with the overwhelming majority of Circuits deciding the issue. Consequently, no harm exists requiring this Court to correct an error of law based upon the misapplication of the "fair use" doctrine.

V.

CONCLUSION

For the foregoing reasons, Respondents, Lasting Impression I, Inc. and MCN International, Inc., request that this Honorable Court deny this Petition for Certiorari.

Respectfully submitted,

Charles C.H. Wu
Wu & Cheung, L.L.P.
7700 Irvine Center Drive
Suite 710
Irvine, CA 92618
(949) 251-0111

Attorneys for Respondents

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No. 03-409

In the

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KP PERMANENT MAKE-UP, INC,

Petitioner,

v.

LASTING IMPRESSION INC; MCN INTERNATIONAL INC,

Respondents,

On Petition for a Writ of Certiorari to the
United States Court of Appeals for the Ninth Circuit

REPLY BRIEF

Michael Machat
Counsel of Record
LAW OFFICES OF
MICHAEL MACHAT, P.C.
9107 Wilshire Blvd., Ste 425
Beverly Hills, CA 90210
(310) 860-1833
Attorney for Petitioner

CURRY & TAYLOR ◆ WASH D.C. ◆ (202) 223-3160 ◆ USSCINFO.COM

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INTRODUCTION

Rather than simply admit that this is a case appropriate for Supreme Court review, respondents instead deny the obvious and argue for argument's sake. In doing so, they mischaracterize the rulings of the courts below, and misstate the law concerning the applicability of the fair use defense. Although respondents attempt to minimize the confusion among the circuits regarding the fair use defense, they nevertheless admit that there is a split among the Circuits on this important issue. Respondents mistakenly argue that the fair use defense is not applicable against a trademark that has reached the status of incontestability. Their argument only serves to highlight the confusion among the Circuits concerning the fair use defense and actually reveals a further split among the Circuits.

The fair use defense is of course applicable in this case. The issue is not whether or not the fair use defense is applicable, but rather, whether or not the defense requires one to demonstrate an absence of likelihood of confusion. There can be no doubt that there is a genuine split between the Circuits. The only issue for this Court to decide at this time, is whether or not the question presented is worthy of taking up this Courts precious time. Petitioner respectfully asserts that the question presented is very much worth considering. The laws governing intellectual property should be the same on both coasts. The lack of uniformity undermines certainty of expectations and lessens public confidence in the federal judiciary. It complicates business planning, and encourages forum shopping.

QUESTION TO BE DECIDED

The issue before this court is simply, whether or not the fair use defense requires the party asserting the defense to demonstrate an absence of likelihood of confusion. Respondents have raised another question: Is the fair use defense applicable against a mark that has obtained the status of incontestability? The vast majority of the Courts have decided that the answer to the second question is affirmative. Even the 9th Circuit admits the defense is available against incontestable marks. The Ninth Circuit reversed the District Court on the fair use issue, not because respondents' mark was incontestable, but rather because the District Court failed to consider likelihood of confusion when applying the fair use defense. The Ninth Circuit decided there were genuine issues of material fact concerning the likelihood of confusion, and reversed the summary judgment on that ground.

THERE ARE NO MATERIAL FACTS IN DISPUTE

Respondents have attempted to create a factual dispute where none exists. Respondents mistakenly assert that Petitioner's claim that it "has been using the term microcolor to describe its selection of pigment colors since 1990 on flyers, and since 1991 on pigments bottles" has not been adjudicated by either the District Court or the Ninth Circuit. (Respondents' brief, first paragraph, page 2.) As one can plainly see, the District Court wrote,

> Plaintiff also contends it has satisfied the second element [of 15 U.S.C. § 1115(b)(4)] by using the "microcolors" phrase continuously since 1990 in trade shows and on their bottling labels. Because Plaintiff began using the mark before Defendants used theirs, and has continued use of the phrase, Plaintiff argues its use was done fairly and in good faith. The Court agrees. There is no issue of material fact as to the fair use defense, and summary adjudication is GRANTED in favor of Plaintiff on this issue. *Celotex*, 477 U.S. AT 323-24." (Appendix, page 29a)

The Ninth Circuit adopted the District Court's finding and stated, "KP used the term "micro color" on its flyers beginning in 1990 and has continued to use the term on its pigment bottles since 1991.[1] (Pages 3a-4a of Appendix.)

Moreover, even if respondents disagree with Petitioner's claim of prior use, the issue has no bearing on the question presented to this court for consideration. In the typical fact scenario, the proponent of the fair use defense would be the junior user. The fact that Petitioner, the District Court, and the Ninth Circuit state that Petitioner is the senior user is of no relevance to whether or not the Ninth Circuit was correct in holding that in order for Petitioner to prevail on the fair use defense, Petitioner must first demonstrate an absence of likelihood of confusion. This is because even if respondents are the senior user, and Petitioner is the junior user, under the

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[1] The fact that the Ninth Circuit glossed over this fact has been a puzzlement to many trademark law practitioners. One would think that because Petitioner was the prior user of the mark, their use would have to be a "fair use" within the ambit of 15 U.S.C. §1115(b)(4).

Ninth Circuit's rule, Petitioner would still be required to demonstrate an absence of likelihood of confusion. (Petitioners' prior use is of course persuasive evidence that Petitioner's use of the microcolor term was done in good faith and fairly. However, Petitioner would still be able to demonstrate that their use of the microcolor term was done in good faith and fairly even if respondents were, hypothetically speaking, the senior user.)

THE FAIR USE DEFENSE IS OF COURSE APPLICABLE TO THE FACTS OF THIS CASE

Both the District Court and the Appellate Court explained in their differing opinions the applicability of the fair use defense to this Case. At page 29a of the appendix to Petitioner's brief, the District Court gives its interpretation of the fair use defense to this case. At page 17a (bottom paragraph) of the appendix, the Ninth Circuit explains its interpretation of the fair use defense to this case.

Respondents (perhaps unintentionally) have highlighted and raised a sub-issue within the Question Presented that illustrates another split among the Circuits concerning the fair use defense. Respondents state unequivocally that the "doctrine of fair use only permits a junior trademark user to use a trademark which is 'descriptive' (Respondents' brief, page 4).[2]

That is not the case. Although, the Third Circuit has stated that the Fair Use Defense presupposes that the plaintiff's mark is descriptive, *Institute for Scientific Information, Inc. v. Gordon & Breach, Science Publishers, Inc.*, 931 F.2d 1002, 18 U.S.P.Q.2d 1527, 1533 (3d Cir. 1991), cert. denied, 502 U.S. 909, 116 L. Ed. 2d 245, 112 S. Ct. 302 (1991), the Second Circuit more recently stated, 'But it should make no difference whether the plaintiff's mark is to be classed on the descriptive tier of the trademark ladder.... What matters is whether the defendant is using the protected word or image descriptively, and not as a mark.' *Car-Freshner Corp. v. S.C. Johnson & Son, Inc.*, 70 F.3d 267, 269; 36 U.S.P.Q.2d 1855 (2d Cir. 1995) In *Seaboard Seed Co. v. Bemis Co.*, 632 F. Supp. 1133, 1138; 229 U.S.P.Q. 1007, 1010 (N.D. Ill. 1986), that Court rejected the argument by the owner of an incontestable registration that a fair use is not available because its mark is conclusively presumed not to be descriptive; the issue is not whether the registrant's use is descriptive, but whether the accused infringer's use is descriptive. In fact, the very same argument made by Respondents (Section III of Respondents' brief) is asserted not to be the case by the Ninth Circuit: "We similarly have allowed classic fair use of a suggestive mark, which carries both an unprotectable primary meaning and a protected secondary meaning." *Brother Records, Inc. v. Jardine*, 318 F.3d 900, 907 (9th Cir. 2003). "[T]he § 1115(b)(4) classic fair use defense can apply to a mark regardless of its classification as descriptive, suggestive, arbitrary, or fanciful, so long as the mark carried a descriptive primary meaning and a trademarked secondary meaning." *Id.* It appears that respondents themselves are confused as to exactly under what circumstances the fair-use defense applies. Their confusion is somewhat understandable, because the issue is somewhat complex. Petitioner is nevertheless puzzled that respondents would cite Professor McCarthy for support on this issue when in fact, Professor McCarthy takes the other side.[3]

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[2] Respondents also incorrectly assert that the Ninth Circuit held the mark "micro colors" is not descriptive. (Respondents' brief, p. 4) In Petitioner's view, respondents have misinterpreted the section in the Ninth Circuit opinion concerning secondary meaning. The District Court had required respondents to demonstrate secondary meaning in the term micro colors. The District Court had determined that the incontestable status did not apply to the term micro colors because the registration was for the micro colors logo, and not merely the term. The District Court found that respondents did not demonstrate secondary meaning and granted summary adjudication in favor of Petitioner on this issue. In reversing the District Court on this issue, the Ninth Circuit stated that the incontestable status of the registration is conclusive evidence that the mark is non-descriptive or has acquired secondary meaning, and there is no need to require a showing of secondary meaning in the term "micro colors" apart from the mark. (Appendix, pages 14a-15a) This finding does not mean the term is not descriptive for all purposes. Most marks that have acquired secondary meaning, still have an unprotected primary meaning which is descriptive. *Brother Records, Inc. v. Jardine*, 318 F.3d 900, 907 (9th Cir. 2003)

As Professor McCarthy writes, "[I]n the author's opinion [the] better view is that one can make a non-infringing, descriptive fair use even if the senior user is not using the term in a descriptive sense with its goods or services. That is, the key is the junior user's descriptive use, not the senior user's descriptive use. The policy rationale is that no one competitor can use trademark law to exclude others from use of a word in its primary, descriptive and non-trademark sense. *McCarthy on Trademark and Unfair Competition* § 11:45 (4th ed. 2001)

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[3] Respondents mistakenly cite McCarthy, Section 11:17 at the top of page 3 of their brief. Petitioner has re-read Section 11:17 of McCarthy and finds no discussion of the issue in question.

In Petitioner's opinion, the confusion over this sub-issue, demonstrates, yet another reason why this Court should grant certiorari.

RESPONDENTS ADMIT THE CIRCUITS ARE SPLIT AS TO THE REQUIREMENTS OF THE FAIR USE DEFENSE

Strangely, respondents improperly claim the split amongst the Circuits is fictional, yet they admit that there is a split between the Second Circuit and the Ninth Circuit. Respondents unfairly denigrate the Second Circuit as a "renegade" (Respondent's brief, page 6), but yet all the Second Circuit has done is follow the common sense interpretation of the statute and have refused to embellish it with an extra requirement that one wishing to avail himself of the fair-use defense must also demonstrate an absence of likelihood of confusion.

After dismissing the importance of the Second Circuit, respondents continue by choosing to ignore certain language that they do not like in the opinions of the First, Fourth, Fifth, and Seventh Circuits in order to present an argument that the split between the Circuits is somehow inconsequential. To the contrary, the various circuit court opinions demonstrate that there is a great deal of confusion about the fair use defense, and it would be of a great help to the various appellate courts, trademark attorneys, and businessmen if this Court lent its guidance on this important issue.

In particular, respondents appear to have completely misunderstood that the First Circuit gave two separate grounds for holding that the defendant in *Leathersmith of London, Ltd. v. Alleyn*, 695 F.2d 27 (1st

Cir. 1982), was entitled to continue using the term Leathersmith. The First Circuit clearly states:

> We need not decide whether "Leathersmith" is wholly nonregisterable because generic; plaintiff cannot prevail against this defendant even if that term were considered a good and enforceable trademark in other circumstances. The grounds of our more limited holding are, first, that there has been no showing of a likelihood of confusion in this instance, and, second, that defendant's use of "Leathersmiths" in the name of his business is a "fair use" exempted by the Lanham Act from Liability. *Id* at p. 29.

In the second part of the Court's opinion, at pages 30-31, the Court then analyzes the facts of the case without considering likelihood of confusion. It does make reference to a lack of evidence of any intent to deceive customers or to appropriate plaintiff's good will. *Id* at 31. This does not mean that an absence of likelihood of confusion is required. Quite the contrary, the inference is that even if there were a likelihood of confusion, since the defendant had no intent to cause any confusion, the fair use defense would still be applicable. The issue is not one of actual likelihood of confusion, but rather whether or not there was an intent to create an actual likelihood of confusion, so that it would be possible to trade off the plaintiff's good will. If this had been the rule in the Ninth Circuit, Petitioner's summary judgment would have been affirmed on appeal.

Similarly, respondents have also chosen to ignore the 4th Circuit's statement that: "It defies logic to argue that a defense may not be asserted in the only situation where it even becomes relevant. If a fair use defense is not to be considered when there is a likelihood of confusion, then it is never to be considered. The fair use defense comes into play only when infringement – including a likelihood of confusion – has been established. A defense which can be considered only when the prima facie case has failed is no defense at all. While it is true that *to the degree* that confusion is likely, a use is less likely to be found fair, it does not follow that a determination of likely confusion precludes considering the fairness of use." *Shakespeare Company v. Silstar Corporation of America, Incorporated*, 110 F.3d 234, 243 (4th Cir. 1997) Here, again, if the Fourth Circuit had decided the case now before this Court, the Fourth Circuit would have affirmed Petitioner's summary judgment.

Petitioner also disagrees with Respondents analysis of *Soweco, Inc. v. Shell Oil Company*, 617 F. 2d 1178 (5th Cir. 1980). In particular, respondents fail to consider the Fifth Circuit's statement, "Moreover, we are convinced that even if there were a likelihood of confusion, the defendant would still be entitled to its fair-use defense, so long as it had met the requirements of §1115(b)(4). To hold otherwise would effectively eviscerate the fair use defense. If defendant's use of a term to fairly describe a characteristic of its goods creates a likelihood of confusion, then plaintiff should adopt some other method of distinguishing its goods from those of defendant. He cannot deprive defendant of his statutory defense once defendant has established the elements of that defense, as defendant has done here." *Id.* at 1189.

And finally, respondents ignore the following statement made by the 7th Circuit in *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.*, 64 F. 3d 1055 (7th Cir.

1995): "When the products involved are similar, 'likelihood of confusion' may amount to using a word in a 'misleading' way, violating 15 U.S.C. § 1125(A)(1) – not because the likelihood of confusion makes the use nondescriptive, but because the confusion about the product's source shows that the words are being used, de facto, as a mark. And the defense is available only to one who uses the words of description 'otherwise than as a mark'." *Id.* at 1059.

CONCLUSION

In short, it appears that respondents have merely put forth an argument for argument's sake. There is a genuine split among the Circuits that needs to be addressed by this Court. To let the split go unresolved will only encourage forum shopping, complicate business planning, undermine certainty of expectations, and lessen public confidence in the federal judiciary. Accordingly, Petitioner respectively requests that this Court grant the petition and resolve the Question presented for review.

Dated this 15th day of December, 2003.

Respectfully submitted,
Michael Machat
Counsel of Record for Petitioner
9107 Wilshire Blvd., Suite 425
Beverly Hills, CA 90210
(310) 860-1833

Supreme Court, U.S.
FILED
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(10)

No. 03-409

IN THE

Supreme Court of the United States

KP PERMANENT MAKE-UP, INC, PETITIONER

v.

LASTING IMPRESSION I, INC;
MCN INTERNATIONAL, INC.

ON WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

JOINT APPENDIX
(Volume I: JA1 – JA189)

MICHAEL MACHAT **LAW OFFICES OF MICHAEL MACHAT, P.C.** 9107 Wilshire Blvd. Suite 425 Beverly Hills, CA 90210 (310) 860-1833	CHARLES C.H. WU **WU & CHEUNG, LLP** 7700 Irvine Center Drive, Suite 710 Irvine, CA 92618 (949) 251-0111
Counsel of Record *for the Petitioner*	*Counsel of Record* *for the Respondents*

CURRY & TAYLOR • WASH D.C. • [illegible]

PETITION FOR WRIT FILED AUGUST 18, 2003
CERTIORARI GRANTED JANUARY 9, 2004

BEST AVAILABLE COPY

Relevant Docket Entries:

United States District Court, Central District of California JA1

United States Court of Appeals for the Ninth Circuit JA30

Complaint, filed March 16, 2000 .... JA38

Answer and Counterclaim, filed May 15, 2000 .... JA42

Declaration of Lin McKinstry, accompanying Defendants' Ex Parte Application for Temporary Restraining Order, filed October 3, 2000 .... JA58

Deposition transcript of Darlene Story, filed April 20, 2001 .... JA71

Deposition transcript of Lin McKinstry, filed April 20, 2001 .... JA91

Exhibits, accompanying Notice of Motion and Motion by Plaintiff for Summary Judgment, filed April 20, 2001:

Exh. E JA190

Exh. F JA191

Exh. G JA193

Exh. H JA195

Exh. I JA196

Exh. J JA228

Exh. K JA197

Exh. L JA207

Exh. N JA209

Exh. O JA210

Exh. Q JA211

Exh. R JA215

Exh. S(1-5) JA219
Exh. U JA224
Exh. W JA226
Declarations in Support of Plaintiff's Motion for Summary Judgment, filed April 20, 2001:
Declaration of Theresa Plante JA96
Declaration of Virginia Arabi JA104
Declaration of Loan Lam JA105
Declaration of Florida Arevado JA106
Declaration of Diane Tran JA107
Declaration of Maria Boyer JA108
Declaration of Aily Rashad JA109
Declaration of Ondina Calix JA110
Declaration of Maria Macial JA111
Declaration of Misma B JA112
Declaration of Wendy Gomez JA113
Declaration of Norma Abad JA114
Declaration of Diana Nguyen JA115
Declaration of Aurora Granades JA116
Declaration of Elvira Abrudan JA117
Notice of Motion and Motion by Defendants for Summary Adjudication, filed April 20, 2001 .... JA118
Declarations and Exhibits in Support of Defendants' Motion for Summary Adjudication, filed April 20, 2001:
Declaration of Darlene Story JA130
Declaration of Lin McKinstry JA135
Declaration of Lydia Leung JA141
Exh. 4, Lasting Impression I, Inc., Marketing Brochure JA231
Opinion and Order, United States District Court, Central District of California, filed May 16, 2001 .... Pet. App. 22a-31a
Opinion, United States Court of Appeals for the Ninth Circuit, filed April 30, 2003 .... Pet. App. 1a-20a

Exh. 5, Lasting Impression I, Inc., Advertisements JA234

Exh. 41, Letter Signed By Tattooing International JA237

Opposition by Defendants to Plaintiff's Motion For Summary Judgment, filed April 30, 2001... JA143

Declarations and Exhibits in Support of Opposition to Plaintiff's Motion for Summary Judgment, filed April 30, 2001:

Declaration of Darlene Story JA163

Declaration of Lin McKinstry JA166

Declaration of Gloria Torres JA170

Reply Declaration and Exhibits in Support of Defendants' Motion for Summary Adjudication, filed May 7, 2001:

Reply Declaration of Lin McKinstry JA172

Exh. 46, Photographs of K.P. Permanent Make-Up Pigment Bottles with Labels JA238

Declaration and Exhibits in Support of Plaintiff's Reply to Opposition to Plaintiff's Motion for Summary Judgment, filed May 7, 2001:

Deposition transcript of Theresa Plante........ JA174

Judgment, United States District Court, Central District of California, filed May 16, 2001 .... JA175

Pursuant to Rule 26.1, the following items were already reproduced in the appendix to the petition for a writ of certiorari at the pages indicated and, therefore, are not reproduced again in this joint appendix:

(Any footnotes trail the end of each document)

U.S. District Court
CENTRAL DISTRICT OF CALIFORNIA (Southern Division - Santa Ana)
CIVIL DOCKET FOR CASE #: 8:00-cv-00276-GLT-EE

KP Permanent Make-Up v. Lasting Impression, et al
Assigned to: Judge Gary L. Taylor
Referred to: Discovery Elgin Edwards
Demand: $0
Cause: 15:1121 Trademark Infringement

Date Filed: 03/16/2000
Jury Demand: Both
Nature of Suit: 840 Trademark
Jurisdiction: Federal Question

Plaintiff

KP Permanent Make-Up Inc	represented by	**Michael Machat** Michael Machat Law Offices 9107 Wilshire Blvd, Ste 425 Beverly Hills, CA 90210 310-860-1833 *LEAD ATTORNEY* *ATTORNEY TO BE NOTICED*

V.

Defendant

Lasting Impression Inc
represented by
Charles C H Wu
Charles C H Wu & Associates
7700 Irvine Center Dr
Ste 710
Irvine, CA 92618-3043
949-251-0111
LEAD ATTORNEY
ATTORNEY TO BE NOTICED

C William Kircher, Jr
C William Kircher Jr Law Offices
2 Park Plaza, Ste 300
Irvine, CA 92614-8513
949-474-2310
Fax: 949-261-1085
TERMINATED: 02/18/2004

MCN International Inc
represented by
Charles C H Wu
(See above for address)
LEAD ATTORNEY
ATTORNEY TO BE NOTICED

C William Kircher, Jr
(See above for address)
TERMINATED: 02/18/2004

Counter Claimant

Lasting Impression Inc
represented by
Charles C H Wu
(See above for address)
LEAD ATTORNEY
ATTORNEY TO BE NOTICED

C William Kircher, Jr
(See above for address)
TERMINATED: 02/18/2004

MCN International Inc
represented by
Charles C H Wu
(See above for address)
LEAD ATTORNEY
ATTORNEY TO BE NOTICED

C William Kircher, Jr
(See above for

address)
TERMINATED: 02/18/2004

V.

Counter Defendant

KP Permanent Make-Up Inc represented by **Michael Machat**
(See above for address)
LEAD ATTORNEY
ATTORNEY TO BE NOTICED

Roes, ***1 through 10 inclusive***

Date Filed	#	Docket Text
03/16/2000	1	COMPLAINT filed Summons ntoissd referred to Discovery Elgin Edwards (krpa) (Entered: 03/21/2000)
03/16/2000	2	Pla's Cert as to int ptys (krpa) (Entered: 03/21/2000)

05/15/2000	3	ANSWER to complaint [1-1] and COUNTERCLAIM by defendant Lasting Impression, defendant MCN Intl Inc against plaintiff KP Permanent Make-Up; cntdft Roes; jury demand ; summons issd (krpa) (Entered: 05/17/2000)
05/15/2000	4	Ntc OF INTERESTED PARTIES filed by defendant Lasting Impression, defendant MCN Intl Inc (krpa) (Entered: 05/17/2000)
05/15/2000		REPORT ON THE FILING OF AN ACTION REGARDING Trademark (cc: form mailed to Washington, D.C.)(Opening) (krpa) (Entered: 05/17/2000)
06/01/2000	5	ANSWER TO COUNTERCLAIM [3-2] by counter-defendant KP Permanent Make-Up (krpa) (Entered: 06/05/2000)
06/14/2000	7	NOTICE OF ERRATA of Address for MCN Intl, Inc. & Lasting Impression I, Inc.'s Attorney by defendant Lasting Impression, defendant MCN Intl Inc, counter-claimant Lasting Impression, counter-claimant MCN Intl Inc correcting (ca) (Entered: 06/19/2000)
06/16/2000	6	ORDER RE: (1) EARLY MEETING

		OF COUNSEL & (2) STATUS CONFERENCE by Judge Gary L. Taylor. Ord tht cnsl for the prtys shall personally meet w/in 30 days after the 1st dfts answer for Early Meeting of Counsel in compliance with L/R 6. All the requirements of tht Rule shall be complied with. Within 14 days after the Early Meeting, the prtys shall file a Joint Report of Early Meeting (Local Rule 6.5) reporting on all the matters required to be discussed under Local Rule 6.4. Filing directly in the So. Division at Santa Ana is encouraged. It Is Further Ordered tht this case is placed on cal for a Status Conf (Local Rule 6.9) on on the date & time stated in the caption of this Order in Courtroom 10D of the US Cofurthouse, 411 W. Fourth Street, Santa Ana, CA. Unless excused for good cause, each cnsl appearing at the Status Conf & at all pre-trial meetings shall be the atty who will be in charge of the conduct of the trial. Continuance of the Status Conf will be granted only upon a showing of good cause. Strict Compliance with Local Rules 6 (Early Meeting & Status Conference) & 9 (Pre-trial Proceedings) is required by the crt. Your attn is invited to the provisions of Local Rule 27 (Sanctions) & 28 U.S.C 1927

		(Expenses). Invitation for Conf Call: The crt invites any cnsl who would outherwise be traveling frm outside Orange Cty to participate in the Status Conf by telephone conf call. If you desire to participate by telephone conf call, you must notify the Courtroom Deputy Clerk, Kathy Peterson, at 714-338-4757 of your intentions w/in the wk bef the Status Conf is scheduled. The phone number, time to place the call, & the person who will place the call, will be established upon confirmation frm the Courtroom Deputy Clerk. Cnsl frm Orange Cty are expected to participate in the Status Conf in person unless otherwise instructed by the Court (ca) Modified on 06/19/2000 (Entered: 06/19/2000)
06/26/2000	8	JOINT REPORT OF EARLY MEETING OF COUNSEL filed. Estimated length of trial 4 days (ca) (Entered: 06/27/2000)
08/10/2000	9	SUPPLEMENT by defendant Lasting Impression, defendant MCN Intl Inc, counter-claimant Lasting Impression, counter-claimant MCN Intl Inc re joint report for status conference [8-1] (ca) (Entered: 08/16/2000)

08/14/2000	10	MINUTES: STAT CONF discovery ddl set on 3/1/01 ; pretrial conference on 1:30 6/1/01; trial shall be 7/2001 by Judge Gary L. Taylor CR: not present (kh) (Entered: 08/16/2000)
08/14/2000	11	TRIAL PREP ORDER by Judge Gary L. Taylor (see doc for specifics) discovery ddl 3/01/00; pretrial conf set 1:30 6/01/01; jury trial 7/2001 (kh) (Entered: 08/16/2000)
10/03/2000	12	EX PARTE APPLICATION filed by defendant Lasting Impression, counter-claimant Lasting Impression for temporary restraining order , and for an order to show cause re prelim inj , or alt for summary judgment ; Memo of P/A; Decls of Darlene Story, Lin McKinstry & Charles C H Wu; Lodged Prop Ord (kh) (Entered: 10/06/2000)
10/03/2000	13	DECLARATION of Charles C H Wu by defendant Lasting Impression, counter-claimant Lasting Impression re exparte motion for temporary restraining order [12-1], exparte motion for an order to show cause re prelim inj [12-2], exparte motion for summary judgment [12-3] (kh) (Entered:

		10/06/2000)
10/05/2000	15	OPPOSITION by plaintiff KP Permanent Make-Up to exparte motion for temporary restraining order [12-1], exparte motion for an order to show cause re prelim inj [12-2], exparte motion for summary judgment [12-3] (jd) (Entered: 10/13/2000)
10/05/2000	16	DECLARATION of Michael Machatin in supprt by plaintiff KP Permanent Make-Up re motion response [15-1] (jd) (Entered: 10/13/2000)
10/06/2000	14	MINUTES: (In Chambers): denying dft's exparte appl for temporary restraining order [12-1]; Crt construes exparte appl for an order to show cause re prelim inj [12-2] and/or summary judgment [12-3] to be a mot & sets for hrg on 12/11/00 at 10:00 12/11/00; w/in times provided by law, an pty may file opp to the mot & the moving pty may file a resp by Judge Gary L. Taylor CR: none present (kh) (Entered: 10/06/2000)
10/11/2000	17	NOTICE OF MOTION AND MOTION by plaintiff KP Permanent Make-Up for leave to amend reply to counterclaim ; Memo of PA's;

		Declar of Michael Machatin suppt thereof; motion hearing set for 10:00 a.m., on 11/6/00. Lodged Prop Amd Reply To Cntclm (ca) (Entered: 10/18/2000)
10/27/2000	18	MINUTES: (In Chambers): Plf's motion for leave to amend reply to counterclaim [17-1] is granted & the hrg of 11/6/00 is taken off-cal; by Judge Gary L. Taylor; CR: None Present (ad) (Entered: 10/30/2000)
10/27/2000	19	AMENDED REPLY TO COUNTERCLAIM [3-2] by counter-defendant KP Permanent Make-Up (ad) (Entered: 10/30/2000)
11/27/2000	20	SUPPL OPPOSITION by plaintiff KP Permanent Make-Up to appl for injunctive relf [12-2]; decl of Michael Machat; exhs (kh) (Entered: 12/09/2000)
12/04/2000	21	REPLY by defendant MCN Intl Inc, counter-claimant Lasting Impression in support of its motion for an order to show cause re prelim inj or in the alt request for monetary sanctions [12-2] (csb) (Entered: 12/11/2000)
12/04/2000	22	OBJECTIONS by defendant MCN Intl Inc, counter-claimant Lasting Impression to plaintiffs evidence

		per its original opposition in Oct 2000 and its suppl opposition in Nov 2000 re: exparte motion for an order to show cause re prelim inj [12-2] (csb) (Entered: 12/11/2000)
12/07/2000	24	SUR-REPLY by plaintiff KP Permanent Make-Up to dft's exparte motion for temporary restraining order [12-1], & exparte motion for an order to show cause re prelim inj [12-2]; decl of Michael Machat; exh (mrgo) (Entered: 12/22/2000)
12/11/2000	23	MINUTES (In Chambers): the crt takes exparte motion for an order to show cause re prelim inj [12-2] under submission; the hrg of 12/11/00, is taken off-cal; by Judge Gary L. Taylor CR: none present (rmi) Modified on 12/11/2000 (Entered: 12/11/2000)
01/12/2001	25	ORDER by Judge Gary L. Taylor denying dft's motion for prelim inj [12-2], finding the exparte motion for summary judgment [12-3] moot; (see doc for specifics); (Ent 1/17/01) (rmi) (Entered: 01/17/2001)
01/12/2001		PLACED IN FILE - NOT USED prop tro & osc (rmi) (Entered: 01/20/2001)

01/19/2001	26	REQUEST FOR CLARIFICATIONS & OBJECTIONS filed by defendant Lasting Impression to Ord denying Dft's mot for P/I [12-1], [12-2], [12-3] (ad) (Entered: 01/26/2001)
01/31/2001	27	DECLARATION of Michael Machat by plaintiff, counter-defendant KP Permanent Make-Up in resp to the Crt's OSC why sanctions should not be awarded to Dft; Exh (ad) (Entered: 02/05/2001)
02/20/2001	28	STIPULATION and ORDER by Judge Gary L. Taylor that ptys have thru & incl 4/1/01 to complete discov; motions for summ jgm must be heard at leas 20 days bef PTC (rmi) (Entered: 02/23/2001)
02/28/2001	29	NOTICE by defendant Lasting Impression, defendant MCN Intl Inc, counter-claimant Lasting Impression, counter-claimant MCN Intl Inc of plf's lack of opp to 1/12/01 OSC (rmi) (Entered: 03/05/2001)
03/02/2001	30	MINUTES: (In Chambers): ORDER RE: VACATION OF OSC; Plf has set forth adequate reasons why sanctions should not be awarded to Dft. Accordingly the OSC is vacated; by Judge Gary L. Taylor; CR: None Present (ad) (Entered:

		03/06/2001)
03/02/2001	31	NOTICE by defendants, counter-claimants MCN Intl Inc, Lasting Impression Re Stip for depo sched past discov cut-off w/request for Crt permission (ad) (Entered: 03/07/2001)
03/05/2001	33	MEMORANDUM OF PA IN REPLY by defendant Lasting Impression, defendant MCN Intl Inc, counter-claimant Lasting Impression, counter-claimant MCN Intl Inc to lplf's opp to crt's OSC re sanctions (rmi) (Entered: 03/09/2001)
03/06/2001	32	DECLARATION of Charles C H Wu by defendants, counter-claimants MCN Intl Inc, Lasting Impression in Reply to Plf's Opp to Crt's OSC Re Sanctions (ad) (Entered: 03/08/2001)
03/12/2001	34	ORDER by Discovery Elgin Edwards: Ord for settlement conference for 11:00am on 5/8/01 ; non-confidential stmt required as instructed below (see doc for specifics) (mt) (Entered: 03/14/2001)
03/12/2001	35	NOTICE OF SETTLEMENT CONF & ORDER by Judge Gary L. Taylor: that Sttlmnt Conf has been

		calendared for 5/8/01 11:00 (ad) (Entered: 03/16/2001)
03/12/2001	36	Stipulation*****DOCKETED TO THIS CASE IN ERROR***** (ad) (Entered: 03/15/2002)
03/15/2001	37	STIPULATION and ORDER by Judge Gary L. Taylor: the ptys' propsd cross mots for summ jgm shall be heard on 5/14/01 at 10:00; the ptys shall serve their respective mots w/sufficient time for cnsl to receive the mots by NLT 4/20/01; the depo wits shall have 21 days from transmittal of the depo transc to make any changes & to sign the transc; the ptys' opp & reply briefs shall be per rule (ad) (Entered: 03/23/2001)
03/30/2001	38	NOTICE by defendants, counter-claimants of Ord Re Stip for scheduling of cross motions for summ jgm (ad) (Entered: 04/05/2001)
04/20/2001	39	NOTICE OF LODGING by plaintiff KP Permanent Make-Up re the deposition transcripts of Darlene Story & Lin McKinstry. (ts) (Entered: 04/24/2001)
04/20/2001	40	NOTICE OF LODGING by defendant Lasting Impression,

		defendant MCN Intl Inc re deposition transcripts in support of mot for sum adj. (ts) (Entered: 04/24/2001)
04/20/2001	41	NOTICE OF MOTION AND MOTION by plaintiff KP Permanent Make-Up for summary judgment , and/or for summary adjudication ; motion hearing set for 10:00am on 5/14/01. (ts) (Entered: 04/24/2001)
04/20/2001	42	DECLARATION of Michael Machat by plaintiff KP Permanent Make-Up in support of re motion for summary judgment [41-1], motion for summary adjudication [41-2] (ts) (Entered: 04/24/2001)
04/20/2001	43	NOTICE OF MOTION AND MOTION by defendant Lasting Impression, defendant MCN Intl Inc for summary adjudication ; memo of PA; motion hearing set for 10:00am on 5/14/01. (ts) (Entered: 04/24/2001)
04/20/2001	44	DECLARATION of Darlene Story, Lin McKinstry, Lydia Leung and Charles C H WU by defendant Lasting Impression, defendant MCN Intl Inc in support of motion for summary adjudication [43-1]. (ts) (Entered: 04/24/2001)

04/25/2001	45	STIPULATION and ORDER by Judge Gary L. Taylor: it is so ORD that leave is GRANTED for the ptys to complete 3rd-pty wit depos during May 15-31, 2001, unless said depos are mooted by the Crt's ruling on 5/14/01 re the cross-motions for summ jgm (ad) (Entered: 04/26/2001)
04/27/2001	46	OPPOSITION by plaintiff KP Permanent Make-Up to motion for summary adjudication [43-1]; memo of p/a (kh) (Entered: 05/02/2001)
04/27/2001	47	STATEMENT of genuine issues of material fact by plaintiff KP Permanent Make-Up in opp to dfts' motion for summary adjudication [43-1] (kh) (Entered: 05/02/2001)
04/27/2001	48	DECLARATION of Michael Machat by plaintiff KP Permanent Make-Up in opp to dfts' motion for summary adjudication [43-1] (kh) (Entered: 05/02/2001)
04/30/2001	49	OPPOSITION by defendant MCN Intl Inc, defendant Lasting Impression, counter-claimant MCN Intl Inc, counter-claimant Lasting Impression to motion for summary judgment [41-1], motion for summary adjudication [41-2] (kh)

		(Entered: 05/02/2001)
04/30/2001	50	DECLARATION of Darlene Story, Lin McKinstry & Gloria Torres by defendant MCN Intl Inc, defendant Lasting Impression, counter-claimant MCN Intl Inc, counter-claimant Lasting Impression in opp to motion for summary judgment [41-1] (kh) (Entered: 05/02/2001)
04/30/2001	51	REQUEST by defendant MCN Intl Inc, defendant Lasting Impression, counter-claimant MCN Intl Inc, counter-claimant Lasting Impression for judicial notice in opp to motion for summary judgment [41-1], & motion for summary adjudication [41-2] (kh) (Entered: 05/02/2001)
04/30/2001	52	OBJECTIONS to KP Permanent Make-Up's decls by defendant MCN Intl Inc, defendant Lasting Impression, counter-claimant MCN Intl Inc, counter-claimant Lasting Impression re motion for summary judgment [41-1], motion for summary adjudication [41-2] (kh) (Entered: 05/02/2001)
04/30/2001	53	RESPONSE by defendant MCN Intl Inc, defendant Lasting Impression, counter-claimant MCN Intl Inc, counter-claimant Lasting

		Impression to sep stmt of uncontrov facts & conclus of law re motion for summary judgment [41-1], to motion for summary adjudication [41-2] (kh) (Entered: 05/02/2001)
05/01/2001	54	DECLARATION of Lydia Leung by defendant MCN Intl Inc, defendant Lasting Impression, counter-claimant MCN Intl Inc, counter-claimant Lasting Impression in opp to motion for summary judgment [41-1] (kh) (Entered: 05/03/2001)
05/07/2001	56	REPLY MEMORANDUM OF P/A by defendants, counter-claimants Lasting Impression, MCN Intl Inc in suppt of their motion for summary adjudication [43-1] (ad) (Entered: 05/15/2001)
05/07/2001	57	REPLY DECLARATION of Lin McKinstry by defendants, counter-claimants in suppt of their motion for summary adjudication [43-1] (ad) (Entered: 05/15/2001)
05/07/2001	58	OBJECTIONS filed by defendants, counter-claimants to Decl of Theresa Kim Plante fld by Plaintiff (ad) (Entered: 05/15/2001)
05/07/2001	59	OBJECTIONS filed by plaintiff, counter-defendant KP Permanent

		Make-Up to evid offered by dfts in opp to Plf's motion for summary judgment [41-1], and/or summary adjudication [41-2] (ad) (Entered: 05/15/2001)
05/07/2001	60	REPLY by plaintiff, counter-defendant to opp to motion for summary judgment [41-1], and/or summary adjudication [41-2] (ad) (Entered: 05/15/2001)
05/07/2001	61	DECLARATION of Michael Machat by plaintiff, counter-defendant in reply to opp to motion for summary judgment [41-1], and/or summary adjudication [41-2]; Exhibits (ad) (Entered: 05/15/2001)
05/08/2001	55	MINUTES: Mandatory Settlement Conference held : The case was not settled; however, the ptys may be able to settle if issues are narrowed aft pending mots for summ jgm are decided; by Discovery Elgin Edwards; CR: n/a (ad) (Entered: 05/11/2001)
05/08/2001	62	NOTICE by defendants, counter-claimants of Order Re Stip for depo schedule past discov cut-off fld 4/25/01 (ad) (Entered: 05/15/2001)
05/10/2001	63	OBJECTIONS filed by plaintiff, counter-defendant KP Permanent

		Make-Up to reply decl of Lin McKinstry in opp to motion for summary judgment [41-1], and/or summary adjudication [41-2] (ad) (Entered: 05/16/2001)
05/15/2001	66	MINUTES: HEARING ON PLF'S MOT FOR SUMM JGM AND/OR SUMM ADJ: The Crt takes the matter under submission; by Judge Gary L. Taylor; CR: Sally Marshall (ad) (Entered: 05/18/2001)
05/16/2001	64	ORDER by Judge Gary L. Taylor: Plf's motion for summary judgment [41-1], [41-2] is GRANTED; Dft's motion for summary adjudication [43-1] is DENIED; Plf is entitled to cont to use the phrase "microcolors" in the way it has been using it since 1991, as it pertains to its hues & pigments; Dfts are entitled to use their trademarked logo containing the phrase "micro colors". (ad) (Entered: 05/17/2001)
05/16/2001	65	JUDGMENT: by Judge Gary L. Taylor: This Crt having heard plf's mot for summ jgm, hereby finds for the plf & makes the fol rulings: 1.There exists no genuine issue of material facts in this case, & plf is entitled to jgm in its behalf; 2.The words "micro colors" are generic &

		incapable of obtaining protection under the laws of Trademarks & Unfair Competition; 3.Dfts do not have the exclusive use or rights to the fol terms: "microcolors" & "micro colors"; 4.Dfts are hereby prohibited from interfering w/plf's use of the words "micro colors" and/or "microcolors" and/or "micro color" and/or "microcolor."; 5.Plf is entitled to recover its cost & attys fees incurred in this action terminating case (MD JS-6) (ENT 5/17/01) (SEND/NTC) (ad) (Entered: 05/17/2001)
05/16/2001		PLACED IN FILE - NOT USED Propsd Stmt of uncontroverted facts & concls of law Lodged 4/20/01 (ad) (Entered: 05/22/2001)
05/16/2001		PLACED IN FILE - NOT USED Propsd Ord Lodged 4/21/01 (ad) (Entered: 05/22/2001)
05/16/2001		PLACED IN FILE - NOT USED Lasting Impressions I Inc's and MCN Intl Incs separate statment of uncontroverted facts and conclusions of law in support of motion for summary adj (csb) (Entered: 05/23/2001)
05/16/2001		PLACED IN FILE - NOT USED Lasting Impressions I Incs and

		MCN Intl Incs reply separate stmt of uncontroverted facts and conclusions of law in support of motion for summary ajd (csb) (Entered: 05/23/2001)
05/29/2001	67	NOTICE OF APPL TO TAX COST; BILL OF COSTS RETURNABLE submitted by plaintiff KP Permanent Make-Up re [65-2]; bill of cost hearing set on 10:00 6/15/01 (kh) (Entered: 06/06/2001)
05/30/2001	68	NOTICE OF MOTION AND MOTION by plaintiff, counter-defendant KP Permanent Make-Up for $56,902.50 in attorney fees ; Decl of Michael Machat; Exhibits; motion hearing set for 10:00 6/25/01 (ad) (Entered: 06/06/2001)
06/06/2001	69	NOTICE OF ASSOCIATION of Counsel for defendants, counter-claimants Lasting Impression, counter-claimant MCN Intl Inc by attorney C William Kircher Jr (ad) (Entered: 06/11/2001)
06/06/2001	70	OBJECTIONS filed by defendants, counter-claimants to Plf's bill of costs [67-1] (ad) (Entered: 06/11/2001)
06/11/2001	71	OPPOSITION by defendant Lasting Impression, defendant MCN Intl

		Inc to motion for attorney fees [68-1]; Decl of Charles C H Wu. (ts) (Entered: 06/12/2001)
06/15/2001	72	STIPULATION filed Re Taxing of Costs [67-1] : Cnsl have conferred & agreed that costs may be taxed in the agreed amt of $1570.75; Cnsl wish to avoid the fur expense of an appearance on 6/15/01, & accordingly have submitted this stip (ad) (Entered: 06/19/2001)
06/15/2001		COSTS taxed for plaintiff KP Permanent Make-Up in the amount of $ 1,570.75 against defendant(cc: all counsel); bill of cost hearing held (csb) (Entered: 06/19/2001)
06/15/2001	73	NOTICE OF APPEAL/Representation Statement by defendants Lasting Impression I, Inc. & MCN International, Inc. to 9th C/A from Dist. Court Jgm fld 5/16/01 & ent 5/17/01 [65-2], Ord fld 5/16/01 & ent 5/17/01 [64-1] (cc: Charles C.H. Wu, Charles C.H. Wu & Associates; C. William Kircher, Jr.; Michael Marchat) Fee: Billed. (pjap) (Entered: 06/19/2001)
06/18/2001	76	REPLY by plaintiff, counter-defendant KP Permanent Make-Up to opp to motion for $56,902.50 in attorney fees [68-1] (ad) (Entered:

		06/26/2001)
06/20/2001	74	MINUTES: [In Chambers] Plf's Motion for $56,902.50 in attorney fees [68-1]: Plf, contending it takes the role of "defendant" in this action, has failed to show evid that Dft Lasting Impression Inc acted in bad faith or even "something less than bad faith"; The fact Dft did not prevail does not indicate it fld frivolous claims; Plf's mot for atty fees is DENIED; by Judge Gary L. Taylor; CR: None Present (ad) (Entered: 06/21/2001)
06/20/2001	75	OBJECTIONS by defendants, counter-claimants Lasting Impression, MCN Intl Inc to Plf's reply to opp to Motion for $56,902.50 in attorney fees [68-1] (ad) (Entered: 06/22/2001)
06/29/2001		Appeal Fee Paid re [73-1] fee in amount of $ 105.00 (wdc) (Entered: 06/29/2001)
07/16/2001	77	TRANSCRIPT DESIGNATION and ordering form for dates: 5/15/01 CR: S. Marshall. (fvap) (Entered: 07/17/2001)
07/23/2001	78	NOTIFICATION by Circuit Court of Appellate Docket Number appeal [73-1] 01-56055. (ghap) (Entered:

		07/23/2001)
10/04/2001	79	NOTICE OF ORDER FROM THE US COURT OF APPEALS FOR THE 9TH CIRCUIT by dfts, cntclms, and appellants MCN Intl Inc, Lasting Impression (mt) (Entered: 10/12/2001)
10/18/2001	80	RECEIPT for Reporter's transcript (mg) (Entered: 10/25/2001)
10/18/2001		TRANSCRIPT filed for proceedings held on 5/15/01 (mg) (Entered: 10/25/2001)
01/02/2002	81	ORDER FROM USCA applnt's second mot for an ext of time to file the opening brief is GR. 01-56055 (ghap) (Entered: 01/10/2002)
01/14/2002	82	ORDER FROM USCA: Applnt's opposed 3rd mot for ext of time in which to file opening brief is GR. Opening brief due 2/9/02. Applnt is reminded of obligation to file brief w/in prev req ext of time. Any fur req to extend opening brief's due date is disfavored. Answering brief due 3/11/02. Optional reply brief due 14 days from svc of answering brief. (01-56055) (pjap) (Entered: 01/17/2002)

04/25/2002	83	ORDER FROM USCA: Aplles' 2nd mot for ext of time to file answering brief GR. Answering brief now due 5/16/02. Optional reply brief due 14 days from svc of answering brief. (01-56055) (pjap) (Entered: 05/06/2002)
05/15/2002	84	Order from USCA: Aplle's third mot for ext of time to file the ans brief is gr. The ans brief is due 530/02. The optional reply brief is due 14 days frm svc of ans brief. Any fur req for ext of time to file the ans brief is disfavord. 01-56055 (dlu) (Entered: 05/28/2002)
09/06/2002	85	ORDER FROM USCA applnt's mot for an ext to file reply brief is GR. The reply brief is now due on or before 9/12/02. (01-56055) (ghap) (Entered: 09/11/2002)
10/28/2002	86	CERTIFICATE of Record Transmitted to USCA # 01-56055 (cc: all parties) (dlu) (Entered: 10/28/2002)
10/28/2002	87	CLERK'S record on appeal transmitted to Circuit [73-1] vols: 5, transcripts: 1 and 2 bulky docs Nos. 12 & 44. 01-56055 (dlu) (Entered: 10/28/2002)
06/02/2003		REMARK - Lodged CC 9th CCA

		JGM Jugment of District Court is reversed & remanded. (01-56055) (cbr) (Entered: 06/06/2003)
06/10/2003	88	MEMORANDUM by defendants and counterclaimants Lasting Impression, MCN Intl Inc supporting proposed order to Accord with the court of appeals opinion [87-1] (twdb) (Entered: 06/12/2003)
06/13/2003	89	NOTICE of hearing; IN COURT HEARING RE: Filing and Spreading Judgment of Court of Appeals (civil) set on 1:30 7/1/03 (twdb) (Entered: 06/16/2003)
06/23/2003	90	NOTICE OF CHANGE Of Address filed by atty Michael Machat for counter-defendant KP Permanent Make-Up 9107 Wilshire Boulevard, Suite 425, Beverly Hills 90210 (twdb) (Entered: 06/24/2003)
06/24/2003	91	MEMORANDUM AND OBJECTIONS by plaintiff KP Permanent Make-Up to defendants' proposed order to accord with the 9th Circuit Order; Declaration of Michael Machat; Exhibits (twdb) (Entered: 06/25/2003)
06/27/2003	92	REPLY MEMORANDUM by defendants in support of proposed

		order to accord with the court of appeals opinion (twdb) (Entered: 06/30/2003)
06/30/2003	93	CERTIFIED COPY of Appellate Court Order: #01-56055 reversing and remanding the Decision of the District Court Appeal [73-1] (twdb) (Entered: 07/02/2003)
07/01/2003	94	MINUTES: THE COURT ORDERS that the mandate of the Ninth Circuit of Appeals: affirming is hereby filed and spread upon the minutes of this U.S.District Court. Trial shall be during the month of June 2004. Before the parties attend the pretrial conference, they shall participate in another settlement conference. Discovery cutoff set on 2/5/05; Pretrial Conference set for 1:30 5/7/04 by Judge Gary L. Taylor, CR: not present (twdb) (Entered: 07/02/2003)
07/02/2003		PLACED IN FILE - NOT USED proposed order on cross motions for summary judgment to accord with opinion by court of appeals (twdb) (Entered: 07/03/2003)
01/15/2004	95	MINUTES In Chambers; Case should have been re-opened on entry dated 7/1/03; before Judge

		Gary L. Taylor : (Case reopened. MD JS-5.) Court Reporter: not present. (twdb,) (Entered: 01/20/2004)
01/15/2004	96	STIPULATION AND ORDER To Stay This Case Pending The Decision of The US Supreme Court on the Matter Now Before It by Judge Gary L. Taylor : The parties stipulate that this case be stayed, including all outstanding discovery and all noticed depositions, pending a decision from the US Supreme Court. Within 10 days upon learning of the decision of U.S. Supreme Court, plaintiff's counsel shall notify the court and request a status conference. At the subsequent status conference, if appropriate, the case shall be reactivated and new dates set by the court. (Made JS-6. Case Terminated.)(twdb,) (Entered: 01/20/2004)
02/18/2004	97	NOTICE of disassociation of C. William Kircher, Jr filed by defendants and counterclaimants Lasting Impression Inc, MCN International Inc. (twdb,) (Entered: 02/24/2004)

General Docket
US Court of Appeals for the Ninth Circuit
Court of Appeals Docket #: 01-56055
Filed: 6/21/01
Nsuit: 3840 Trademark (Fed)
KP Permanent Make-up v. Lasting Impression, et al
Appeal from: Central District of California (Santa Ana)

- -

Case type information:
1) civil
2) private
3)

- -

Lower court information:

District: 0973-8 : CV-00-00276-GLT
presiding judge: Gary L. Taylor, District Judge
Date Filed: 3/16/00
Date order/judgment: 5/16/01
Date NOA filed: 6/15/01

- -

Fee status: paid

- -

Prior cases:
None
Current cases:
None

KP PERMANENT MAKE-UP INC
Plaintiff-counter- defendant - Appellee
Michael Machat, Esq.
310-551-3030
Suite 730
[COR LD NTC ret]
MICHAEL MACHAT LAW OFFICES

433 North Camden Drive
Beverly Hills, CA 90210

v.

LASTING IMPRESSION INC
Defendant-counter- claimant - Appellant
Charles Wu, Esq.
949-251-0111
[COR LD NTC ret]
Mark H. Cheung
[COR LD NTC ret]
CHARLES C.H. WU & ASSOCIATES
7700 Irvine Center Drive.
Suite 710
Irvine, CA 92618-3043

C. William Kircher, Jr., Esq.
FAX 949/261-1085
949/474-2310
Suite 300
[COR LD NTC ret]
LAW OFFICES OF C. WILLIAM
KIRCHER, JR.
2 Park Plaza
Irvine, CA 92614-8513

MCN INTERNATIONAL INC
Defendant-counter-
claimant - Appellant
Charles Wu, Esq.
(See above)
[COR LD NTC ret]
Mark H. Cheung
(See above)
[COR LD NTC ret]

C. William Kircher, Jr., Esq.
(See above)
[COR LD NTC ret]

ROES 1 THROUGH 10, inclusive
Counter-defendant -
Appellee
No appearance
[NTC]

KP PERMANENT MAKE-UP INC

Plaintiff-counter-defendant - Appellee

v.

LASTING IMPRESSION INC; MCN INTERNATIONAL INC;

Defendants-counter-claimants - Appellants

ROES 1 THROUGH 10, inclusive

Counter-defendant - Appellee

6/21/01 DOCKETED CAUSE AND ENTERED APPEARANCES OF COUNSEL. CADS SENT (Y/N): N. Setting schedule as follows: appellant's designation of RT is due 6/25/01; appellee's designation of RT is due 7/5/01; appellant shall order transcript by 7/16/01; court reporter shall file transcript in DC by 8/15/01; certificate of record shall be filed by 8/22/01; appellant's opening brief is due 10/1/01; appellees' brief is due 10/31/01; appellants' reply brief is due 14 days from service of appellee's brief. [01-56055] (se)

9/24/01 Filed attorney for Appellant Civil Appeals Docketing Statement served on 9/17/01 (to CONFATT) [01-56055] [01-56055] (lu)

10/1/01 Filed order CONFATT (vls) This case is under consideration for incl in the Mediation Program. A settlement assessment conf will be hekd by phone on 10/18/01 at 2:00pm pacific time... The br sched prev set by the ct remains in effect, [01-56055] (gar)

10/1/01 Filed order (Deputy Clerk: jlc) The ct is in receipt of aplt's notice of reporter default under 9th CR 11-1.2. ...The transcript is now due on 10/18/01. The op br and excerpts of record are due 11/27/01, the ans br is due 12/27/01, and the op reply br is due 14 days from service... A copy of this order shall be provided to Ct Rptr Sally Marshall at the dc. [01-56055] (gar)

10/1/01 Filed Sally Marshall's notice of order of transcript. RT ordered 7/16/01; Expected payment date: 9/24/01; Number of pages: ; Expected completion: 10/23/01 [01-56055] (gar)

10/22/01 Filed order CONFATT (SL) The ct has determined that this appeal will not be sel for incl in the Mediation Program...The br sched set forth in the ct's order filed 10/1/01 shall remain in effect... [01-56055] (gar)

10/22/01 Filed certificate of record on appeal RT filed in DC [01-56055] (gar)

11/26/01 Filed motion & clerk order Promo: (Deputy Clerk: jlc) Aplts' mtn for an ex.tm.f the opening br is granted. The opening br is now due 12/27/01. The ans br is due 1/28/02. The optional rpy br is due 14 days from service of the ans br. This order was issed prior to the expiration of time within which a response may be filed. (mtn rcvd 11/20/01) [4306252-1] [01-56055] (gva)

12/26/01 Filed motion of Appellant and deputy clerk order :(Deputy Clerk: cb) granting motion & order to extend time to file appellant's opening brief [4326492-1] appellants' opening brief due 1/10/02, ; appellees' brief due 2/11/02; the opt reply br is due 14 days from service... This order was issued prior to the exp of time within which a response may be filed. (Motion recvd 12/20/01) [01-56055] (gar)

1/3/02 Filed Appellant Lasting Impression, Appellant MCN International's motion to extend time to file appellant's opening brief [01-56055] [01-56055] served on 1/2/02 WIP/PROMO [4332102] [01-56055] (gar)

1/11/02 Filed order (Appellate Commissioner) Aplts' opposed third mtn for an ext of time to file the op br is granted. [4332102-1] appellants' opening brief due 2/9/02 (2/11/02) ; appellees' brief due 3/11/02; opt reply br is due 14 days from service... Any further request to ext the op br's due date is disfavored. (PROMO) [01-56055] (gar)

2/13/02 Filed original and 15 copies Appellant Lasting Impression, Appellant MCN International opening brief (Informal: n) 36 pages and five excerpts of record in 2volumes; served on 2/11/02 [01-56055] (gar)

3/12/02 Filed motion of Appellee and deputy clerk order :(Deputy Clerk: lkk) granting late motion to extend time to file appellee's brief [4381748-1] appellees' brief due 4/25/02; opt reply br is due 14 days from service... (Motion recvd 3/5/02) [01-56055] (gar)

4/22/02 Filed motion of Appellee and deputy clerk order :(Deputy Clerk: lkk) granting 2nd motion to extend time to file appellee's brief [4414069-1] appellees' brief due 5/16/02; opt reply br is due 14 days from service... (Motion recvd 4/18/02) [01-56055] (gar)

5/13/02 Filed motion of Appellee and deputy clerk order :(Deputy Clerk: lkk) granting aple's 3rd motion to extend time to file appellee's brief [4429512-1] appellees' brief due 5/30/02; opt reply br is due 14 days from service... Any further request for an ext of time to file the ans br is disfavored. (Motion recvd 5/9/02) [01-56055] (gar)

6/3/02 Received orig. 15 copies KP Permanent Make-up's brief of 62 pages and 5 suppl excerpts in 1 vol; served on 5/30/02 deficient: oversized excerpts. Notified counsel [01-56055]
AT ATTY'S REQUEST, EXCERPTS WERE PICKED UP BY MESSENGER TO
BE RET'D TO APLE ON 6/11/02. (gar)

6/12/02 Filed motion of Appellant and deputy clerk order :(Deputy Clerk: lkk) granting motion to extend time to file reply brief [4454192-1] appellants' reply brief due 7/29/02. (Motion recvd 6/7/02) [01-56055] (gar)

6/17/02 Filed original & 15 copies Aple KP Permanent Make-up's 62 pages brief, 5 Supplemental Excs.; served on 5/30/02 [01-56055] (gva)

7/1/02 Received from US atty Debra W. Yang letter dated 6/26/02 re: govt does not intend to make appearance in case (had not been listed as a party anyway) [01-56055] (gar)

7/17/02 Calendar check performed [01-56055] (aw)

7/24/02 Filed Appellant Lasting Impression, Appellant MCN International's motion to extend time to file reply brief for 45 days [01-56055] served on 7/23/02 [4489888] WIP/PROMO forwarded to Panel by Promo via fax 8/5/02 (gar)

7/29/02 Calendar materials being prepared. [01-56055] [01-56055] (rei)

7/31/02 CALENDARED: Pasadena Oct 9 2002 9:00 a.m. Courtroom 2 [01-56055] (th)

9/4/02 Filed order (Deputy Clerk: rr) granting appellant's motion to extend time to file reply brief [4489888-1] appellants' reply brief due 9/12/02. PHONED/FAXED [01-56055] (gar)

9/10/02 Filed original and 15 copies Lasting Impression, MCN International reply brief, (Informal: n) 20 pages; served on 9/9/02 FEDEXED TO PANEL [01-56055] (gar)

9/27/02 Rec'd notice of change of address from C. William Kircher for Appellant MCN International dated 9/23/02. New address: C. WILLIAM KIRCHER, JR. A PROF CORP / 2 Park Plaza Ste. 300 /Irvine, CA 92614. [01-56055] (gar)

10/9/02 ARGUED AND SUBMITTED TO Procter R. HUG, Melvin BRUNETTI, Diarmuid F. O'SCANNLAIN [01-56055] (rmw)

10/29/02 Filed supplemental/amended certificate of record. RT's filed on 10/18/01 [01-56055] (pg)

4/30/03 FILED OPINION: REVERSED REMANDED (Terminated on the Merits after Oral Hearing; Reversed; Written, Signed, Published. Procter R. HUG, author; Melvin BRUNETTI;Diarmuid F. O'SCANNLAIN.) FILED AND ENTERED JUDGMENT. [01-56055] (gar)

5/14/03 [4736776] Filed original and 3 copies Appellee KP Permanent Make-up petition for rehearing, (PANEL) 6p.pages, served on 5/13/03 [01-56055] (gar)

5/20/03 Filed order (Procter R. HUG, Melvin BRUNETTI, Diarmuid F. O'SCANNLAIN,): denying petition for rhrg [4736776-1] [01-56055] (gar)

5/28/03 MANDATE ISSUED [01-56055] (gar)

9/22/03 Received notice from Supreme Court: petition for certiorari filed Supreme Court No. 03-409 filed on 8/18/03. CASEFILE [01-56055] (gar)

CASE NO: SA-CV-00-276-GLT (EEx)

UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

K.P. PERMANENT MAKE-UP, INC.,
Plaintiff,

v.

LASTING IMPRESSION, INC. and MCN
INTERNATIONAL, INC.,
Defendants.

COMPLAINT FOR DECLARATORY RELIEF

Plaintiffs Demand Jury Trial

JURISDICTION AND VENUE

1. Plaintiff K.P. Permanent Make-Up, Inc. (hereinafter referred to as KP) brings this action for declaratory relief pursuant to 28 U.S.C. Section 2201, for the purposes of determining a question of actual controversy between the parties arising out of defendants claims and threats of litigation concerning the commercial use of the generic terms micropigmentation, microcolor and the phrase "MICRO COLOR" which the defendants may have fraudulently obtained a US Trademark registration no. 1,769,592 contrary to the Lanham Act.

2. Jurisdiction is conferred on this Court by 15 . U . S . C . Section 1121 (a), and by 28 U.S.C. Section 1338 (a), in that this case arises under the Trademark Laws of the United States, 15 U.S.C. Sections 1051, et. seq.

THE PARTIES

3. Plaintiff, K.P. Permanent Make-Up, Inc. ("KP") is a California corporation that is engaged in the business of providing goods and services relating to permanent make-up. Plaintiff has been using the term microcolor as short for micropigmentation where necessary to describe the various pigment colors of some of its myriad products.

4. Defendant Lasting Impression, Inc. (hereinafter Lasting Impression) is a New Jersey corporation that appears to be the registered owner of trademark registration number 1,769,592 for a composite mark consisting of a color logo and the phrase "MICRO COLORS".

5. Defendant MCN International, Inc. (hereinafter MCN) is believed to be a California corporation and is an entity claiming exclusive ownership of the phrase "MICRO COLORS."

COUNT I
DECLARATORY RELIEF

6 Plaintiffs repeat and re-aver each of the averments of the preceding paragraphs 1 through 5.

7. On or about January 22, 2000, plaintiff received a letter from defendants' attorney, Charles Wu which demanded that plaintiff cease and desist from using the generic term micro color.

8. As a result of this letter, an actual controversy has arisen and now exists between plaintiff and defendants concerning their respective rights in and to the names micropigmentation, microcolor, and Micro

colors. Defendants claim the exclusive right to use the phrase "micro colors" and plaintiff claims that the phrase is and always has been a generic term used within the trade and that a trademark registration should never have been granted, and was in fact granted as a result of the defendants fraud in procuring it.

9. Plaintiff further claims that defendant Lasting Impression falsely stated or implied that the term micro color is a valid mark when it knew of widespread generic use of that term in the industry.

10. As an alternative claim, plaintiff further claims that the scope of trademark registration number, 1,769,592 is limited to the composite mark registration in its entirety and that the phrase "microcolors" separate and apart from the picture registe.red with the mark is free for all to use, since the phrase is after all, a generic term.

11. Plaintiff desires a judicial determination of the respective rights of the parties to the phrase "microcolors", including, where appropriate, the validity and enforceability of defendants' alleged trademark of the phrase "micro colors" under federal law.

12. A judicial declaration is necessary and appropriate at this time and under these circumstances in order for the parties to ascertain their respective rights, if any, in and to the phrase "microcolors and/or micro colors".

WHEREFORE, plaintiff prays for judgment against defendants as follows:

1. For a declaration that defendants do not have the exclusive use or right to the phrase "microcolors or micro colors".

8. That the Court order that defendants federal trademark registration no. 1,769,592 be canceled;

9. For costs of suit and attorneys fees herein incurred; and

10. For such other and further relief as the Court may deem proper.

Dated: March 10, 2000

MICHAEL MACHAT
ATTORNEY FOR PLAINTIFF
KP PERMANENT MAKE-UP, INC.

JURY TRIAL DEMAND

Plaintiff hereby demands trial by jury on all triable issues.

Dated: March 10, 2000

MICHAEL MACHAT
ATTORNEY FOR PLAINTIFF
KP PERMANENT MAKE-UP, INC.

CASE NO: SA-CV-00-276-GLT (EEx)

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

K.P. PERMANENT MAKE-UP, INC.,
Plaintiff,

v.

LASTING IMPRESSION, INC. and MCN
INTERNATIONAL, INC.,
Defendants.

LASTING IMPRESSION I, INC.,
Counterclaimant,

vs.

K.P. PERMANENT MAKE-UP, INC.; and
ROES 1 through 10, inclusive;
Counter-Defendants.

MCN INTERNATIONAL, INC. AND LASTING IMPRESSION I, INC.'S

(1) ANSWER TO COMPLAINT.

(2) COUNTERCLAIM FOR:
  1. INFRINGEMENT OF TRADEMARK,
  2. UNFAIR COMPETITION,
  3. FALSE ADVERTISING.

DEMAND FOR JURY TRIAL

Pursuant to Rule 12 (a) and Rule 13 of the Federal Rules of Civil Procedure, defendant MCN INTERNATIONAL, INC. (sometimes herein, "MCN") and defendant and counterclaimant LASTING IMPRESSION I, INC. (sometimes herein, "LASTING"), by their attorney of record, Charles C. H. Wu & Associates, a Professional Corporation, as and for their answer and counterclaim against K.P. PERMANENT MAKE-UP, INC., allege as follows:

ANSWER TO COMPLAINT

JURISDICTION AND VENUE

1. In responding to paragraph 1 of the complaint, MCN and LASTING admit that a dispute or controversy now exists between MCN and plaintiff, but denies each and every other allegation in said paragraph 1.

2. MCN and LASTING admit to the jurisdiction of this Court.

THE PARTIES

3. In responding to paragraph 3 of the complaint, MCN and LASTING allege that they are without sufficient knowledge or information to either admit or deny plaintiff's allegations therein, and therefore MCN and LASTING deny each and every allegation in said paragraph 3.

4. MCN and LASTING alleges that LASTING is erroneously sued under the alleged name. LASTING's correct name is Lasting Impression I, Inc. Otherwise, MCN and LASTING admit all other allegations in paragraph 4 of the complaint.

5. In responding to 5 of the paragraph complaint, MCN and LASTING admit that MCN is a California

corporation, but denies each and every other allegation in said paragraph 5. MCN is an authorized user of the "Micro Colors" trademark.

COUNT I
DECLARATORY RELIEF

6. In responding to paragraph 6 of the complaint, MCN and LASTING incorporate herein each of their allegations in the preceding paragraphs 1 through 5 as if alleged hereat in full.

7. MCN and LASTING admit the allegations in paragraph 7 of the complaint.

8. In responding to paragraph 8 of the complaint, MCN and LASTING admit that there exists an actual controversy between plaintiff and defendants. MCN and LASTING deny plaintiff's claim and contention as to plaintiff's alleged and claimed rights.

9. MCN and LASTING deny the allegations in paragraph 9 of the complaint.

10. MCN and LASTING deny the allegations in paragraph 10 of the complaint.

11. In responding to paragraph 11 of the complaint, MCN and LASTING admit that there exists an actual controversy between plaintiff and defendants. MCN and LASTING deny plaintiff's claim and contention as to plaintiff's alleged and claimed rights.

12. In responding to paragraph 12 of the complaint, MCN and LASTING admit that there exists an actual controversy between plaintiff and defendants. MCN and

LASTING deny plaintiff's claim and contention as to plaintiff's alleged and claimed rights.

WHEREFORE, Defendants pray for the following judgment on plaintiff's complaint:

1. That plaintiff's complaint be dismissed with prejudice;

2. That plaintiff recover nothing on its complaint;

3. Alternatively, in the event that plaintiff is entitled to a declaratory judgment by this Court, that the Court declare defendants' trademark registration 1,769,592 for a composite mark consisting of a color logo and the phrase "MICRO COLORS" to be valid and in full force and effect, giving defendants full and exclusive rights thereto;

4. That defendants be declared the prevailing parties on plaintiff's complaint;

5. That defendants be awarded costs of suit and attorney's fee incurred herein; and

6. That the Court issue such other and further relief as the Court may deem just and proper.

Dated: May 11, 2000

CHARLES C.H. WU & ASSOCIATES
A PROFESSIONAL CORPORATION

By: CHARLES C.H. WU
Attorneys for Defendants and Counterclaimant
MCN International, Inc. and Lasting Impression I, Inc.

COUNTERCLAIM

Defendant and counterclaimant, Lasting Impression I, Inc. makes the allegations to state its counterclaim:

JURISDICTION AND VENUE

1. Jurisdiction and venue are proper in this Judicial District. Counterclaimant's counterclaims arise out of the same subject matter as set forth in plaintiff's complaint, and thus are properly brought before this Court pursuant to Rule 13 of the Federal Rules of Civil Procedure. Jurisdiction of this Court further arises under the Federal Declaratory Judgment Act, 28 U.S.C. §§ 2201 and 2202; under the Lanham Act and other laws of the United States concerning actions relating to registered trademarks, 15 U.S.C. § 1121, 28 U.S.C. §§ 1338 (a) and (b) and 28 U.S.C. § 1367, and as provided in Rules 15 and 18 of the Federal Rules of Civil Procedure; and under the Supplemental Jurisdiction of this Court, 28 U.S.C. § 1367. Further, the counterclaims arose within this Judicial District. Venue is proper under 28 U.S.C. § 1391.

PARTIES

2. Counterclaimant LASTING IMPRESSION I, INC. ("LASTING") is a corporation organized and existing under the laws of the State of New Jersey, having its principal place of business at Englewood, New Jersey.

3. Counterclaimant is informed and believes and thereon alleges that counterdefendant K.P. PERMANENT MAKE-UP, INC. is a corporation organized and existing under the laws of the State of California, having its principal place of business within this Judicial District.

4. Counterclaimant is ignorant of the true names and capacities of such counterdefendants sued herein as ROES 1 through 10, inclusive, and therefore sues these counterdefendants by such fictitious names. Counterclaimant will seek leave of this Court to amend this counterclaim to allege such true names and capacities of said counterdefendants as soon as they are ascertained.

5. Plaintiff is informed and believes and thereon alleges that each of the fictitiously named counterdefendants are responsible in some manner for the occurrences as herein alleged, and counterclaimant's losses as herein alleged were the result of their wrongful conduct.

6. Plaintiff is informed and believes and thereon alleges that at all times mentioned herein, counterdefendants, including ROES 1 through 10, and each of them, were the agents, employees, representatives, servants, and/or co-conspirators of each of the remaining counterdefendants, and in doing the things hereinafter alleged were acting within the course, scope, and purpose of said agency, employment, representation, service, position, and/or conspiracy and with the express and/or implied permission, consent and ratification of each of the remaining counterdefendants.

FIRST COUNTERCLAIM
INFRINGEMENT OF TRADEMARK
(AGAINST ALL COUNTERDEFENDANTS)

7. Counterclaimant repeats and realleges paragraphs 1 through 6 of the counterclaim herein and incorporates the same by reference as though fully set forth herein.

8. Since no later than March 1992, counterclaimant has been in the business of manufacturing and selling permanent and micropigmentation cosmetics goods and services.

9. Counterclaimant is the owner of a United States federal trademark bearing registration number 1,769,592, registered on May 11, 1993 on the principal register with the United States Patent and Trademark Office. This registration was and continues now to be in full force and effect. A true and correct copy of the registration is attached hereto as **Exhibit "A"**. The mark prominently features the ward: "MICRO COLORS". A true and correct copy of an advertisement or use by counterclaimant of its trademark is attached hereto as **Exhibit "B"**.

10. Counterclaimant's federally registered trademark has been it continuous use since March 16, 1992 and has come to be associated with counterclaimant's permanent and micropigmentation cosmetics goods and services.

11. Upon information and belief, counterdefendants are also in the business of providing permanent and micropigmentation cosmetics goods and services, and are direct competitors of counterclaimant and advertise in common periodicals.

12. Without the permission, authorization and consent of counterclaimant, counterdefendants have used and advertised a mark consisting of the phrase "micro color" in connection with counterdefendants' business of permanent and micropigmentation cosmetics goods and services.

13. A true and correct copy of a mark advertised or used by counterdefendants in connection with counterdefendants' permanent and micropigmentation cosmetics goods and services business is attached hereto as **Exhibit "C"**.

14. Counterdefendants' mark depicted in **Exhibit "C"** is a wrongful reproduction, counterfeit, copy or colorable imitation of counterclaimant's registered trademark.

15. Counterdefendants' use of its advertisements, displays and otherwise in connection with their permanent and micropigmentation cosmetics goods and services is an attempt by them to trade on counterclaimant's goodwill. Furthermore, such conduct is an indication of counterdefendants' intention to create the impression (contrary to fact) that there is an ongoing business relationship or association between counterclaimant's business and counterdefendants' business, or their respective goods and services.

16. Counterdefendants' use of the "MICRO COLOR" mark on their products and sales displays and advertisements in California and in interstate commerce in the United States constitute trademark infringement and is likely to cause confusion, deception and/or mistake.

17. Counterdefendants have wrongfully reproduced, counterfeited, copied, or imitated the colors of counterclaimant's trademark and applied such reproduction, counterfeiting, copying, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in interstate commerce with the sale, offering for sale, distribution, or advertising of goods or services on or in

connection with which such use is likely to cause confusion, or to cause mistake, or to deceive.

18. On or about January 21 2000, intellectual property counsel for counterclaimant sent a letter to counterdefendants instructing them to stop using the phrase "MICRO COLORS" in connection with their advertising and sale of permanent and micropigmentation cosmetics goods and services. Counterdefendants responded by filing this action contending that "MICRO COLORS" is a generic term, among other things.

19. Counterdefendants' infringement of counterclaimant's registered trademark as complained of hereinabove, was and has been willful, and has been committed and will continue to be committed in this Judicial District within the jurisdiction of this Court. Counterclaimant has requested counterdefendants not to infringe on 'counterclaimant's "MICRO COLORS" mark, but counterdefendants continued with their infringing activities. Counterdefendants' acts of infringement have caused and will continue to cause irreparable injury to counterclaimant if counterdefendants are not enjoined by this Court from further violations of counterclaimant's rights, and counterclaimant has no adequate remedy at law.

20. Counterclaimant is presently incurring irreparable damage and injury by the continuing actions of the counterdefendants.

21. Counterdefendants' acts of trademark infringement will be ongoing unless preliminarily and permanently enjoined by this Court, and unless this Court make such orders as are necessary to prevent the wrongful and deceptive acts of counterdefendants, or as may be necessary to restore to counterclaimant any money, property or rights which it may have lost by means of such trademark infringement. Counterclaimant requests that the Court issue such injunctive relief.

22. As a direct and proximate result of counterdefendants' wrongful conduct as hereinabove alleged, counterclaimant has been damaged in an amount currently unknown but not less than $1,000,000.00, with the exact amount to be determined at trial according to proof. According to statute and law, counterclaimant is entitled to recover from counterdefendants a judgment that includes three times counterclaimant's actual damages.

23. Counterclaimant is further entitled to recover additional damages and/or penalties including but not limited to counterdefendants' profits.

24. This is an exceptional case in which counterclaimant is entitled to recover an award of its reasonable attorney's fees against counterdefendants.

SECOND COUNTERCLAIM
UNFAIR COMPETITION PURSUANT TO CALIFORNIA BUSINESS & PROFESSIONS CODE §§ 17244 ET SEQ.
(AGAINST ALL COUNTERDEFENDANTS)

25. Counterclaimant repeats and realleges paragraphs 1 through 24 of the counterclaim herein and incorporates the same by reference as though fully set forth herein.

26. In or about March 1992, counterclaimant commenced advertising and selling to the public various

permanent cosmetics goods and services under the trademark of "Micro Colors".

27. Counterclaimant is the owner of a United States federal trademark bearing registration number 1,769,592, registered on May 11, 1993 on the principal register with the United States Patent and Trademark Office. This registration was and continues now to be in full force and effect. A true and correct copy of the registration is attached hereto as **Exhibit "A"**. The mark prominently features the words "MICRO COLORS". A true and correct copy of an advertisement or use by counterclaimant of its trademark is attached hereto as **Exhibit "B"**.

28. Subsequently, counterdefendants commenced advertising and selling permanent cosmetics goods and services also under the name and mark of "Micro Color". The only difference is that counterdefendants do not pluralize "color" in their use of said phrase. Counterclaimants registered trademark is in the plural form of "Micro Colors".

29. Counterdefendants' use of the "MICRO COLOR" mark on their products and sales displays and advertisements in California and in interstate commerce in the United States constitute unfair competition and causes a likelihood of confusion, deception and mistake in violation of the California Unfair Competition Laws under California Business & Professions Code § 17200 *et seq*.

30. Counterclaimant has no adequate remedy at law and is presently incurring irreparable damage and injury by the continuing actions of Counterdefendants.

31. Counterdefendants' acts of unfair competition and sham operations will be ongoing unless preliminarily and permanently enjoined by this Court, and unless this Court make such orders as are necessary to prevent the deceptive acts of counterdefendants which constitute unfair competition, or as may be necessary to restore to counterclaimant any money, property or rights which it may have lost by means of such unfair competition. Counterclaimant requests that the Court issue such injunctive relief.

32. Counterdefendants' acts of unfair competition as complained of hereinabove, was and has been willful, and has been committed and will continue to be committed in this Judicial District within the jurisdiction of this Court. Counterclaimant has requested counterdefendants not to infringe on counterclaimant's "MICRO COLORS" mark, but counterdefendants continues with their wrongful activities. Counterdefendants' acts of infringement constitute unfair competition that caused or will continue to cause irreparable injury to counterclaimant if counterdefendants are not enjoined by this Court from further violations of counterclaimant's rights, and counterclaimant has no adequate remedy at law.

33. As a direct and proximate result of counterdefendants' wrongful conduct as hereinabove alleged, counterclaimant has been damaged in an amount currently unknown but not less than $1,000,000.00, with the exact amount to be determined at trial according to proof.

34. Counterclaimant is entitled to recover such additional damages and/or penalties, costs and attorney's fees as is authorized by California Business & Professions Code § 17200 *et seq.*

35. In doing the acts hereinabove alleged, counterdefendants and their representatives acted with oppression, fraud and malice, without any justification or privilege whatsoever such that counterclaimant is entitled to punitive damages according to proof at trial.

THIRD COUNTERCLAIM
FALSE ADVERTISING PURSUANT TO CALIFORNIA BUSINESS & PROFESSIONS CODE §§ 17200 ET SEQ.
(AGAINST ALL COUNTERDEFENDANTS)

36. Counterclaimant repeats and realleges paragraphs 1 through 35 of the counterclaim herein and incorporates the same by reference as though fully set forth herein.

37. Counterclaimant is the owner of a United States federal trademark bearing registration number 1,769,592, registered on May 11, 1993 on the principal register with the United States Patent and Trademark Office. This registration was and continues now to be in full force and effect. A true and correct copy of the registration is attached hereto as **Exhibit "A"**. The mark prominently features the words "MICRO COLORS". A true and correct copy of an advertisement or use by counterclaimant of its trademark is attached hereto as **Exhibit "B"**.

38. Counterdefendants have been advertising and were and are representing to the public that they are the lawful owners of counterclaimant's herein alleged trademark.

39. Counterdefendants have been using, advertising and were and are representing to the public that they are the owners of said trademark, contrary to the truth

which is that counterclaimant owns said trademark. Hence, counterdefendants are guilty of false, unfair, deceptive, untrue or misleading advertising.

40. Counterdefendants' acts of false advertising as complained of hereinabove, was and has been willful, and has been committed and will continue to be committed in this Judicial District within the jurisdiction of this Court. Counterclaimant has requested counterdefendants to cease said wrongful activities, but counterdefendants continued with their wrongful activities. Counterdefendants' conduct constitute false advertising that caused and will continue to cause irreparable injury to counterclaimant if counterdefendants are not enjoined by this Court from further violations of counterclaimant's rights, and counterclaimant has no adequate remedy at law.

41. Counterclaimant is presently incurring irreparable damage and injury by the continuing actions of counterdefendants.

42. Counterdefendants' acts of false advertising and sham operations will be ongoing unless preliminarily and permanently enjoined by this Court, and unless this Court make such orders as are necessary to prevent the deceptive acts of counterdefendants which constitute false advertising, or as may be necessary to restore to counterclaimant any money, property or rights which it may have lost by means of such false advertising. Counterclaimant requests that the Court issue such injunctive relief.

43. As a direct and proximate result of counterdefendants' wrongful conduct as hereinabove alleged, counterclaimant has been damaged in an amount currently unknown but not less than

$1,000,000.00, .with the exact amount to be determined at trial according to proof.

44. Counterclaimant is entitled to recover such additional damages and/or penalties, costs and attorney's fees as is authorized by California Business & Professions Code § 17200 *et seq.*

45. In doing the acts hereinabove alleged, counterdefendants and their representatives acted with oppression, fraud and malice, without any justification or privilege whatsoever such that counterclaimant is entitled to punitive damages according to proof at trial.

WHEREFORE, Counterclaimant prays for the following judgment on its counterclaim:

1. That this case is an exceptional case and that counterdefendants' acts of trademark infringement was made in bad faith;

2. That the Court issue an injunction enjoining and restraining counterdefendants from using in any way counterclaimant's trademark;

3. That counterclaimant recover compensatory damages in a sum not less than $1,000,000.00, according to proof at the time of trial;

4. That counterclaimant be awarded costs of suit and attorney's fee incurred herein; and

5. That the Court issue such other and further relief as the Court may deem just and proper.

Dated: May 11, 2000

CHARLES C.H. WU & ASSOCIATES
A PROFESSIONAL CORPORATION

By: CHARLES C.H. WU
Attorneys for Defendants and Counterclaimant
MCN International, Inc. and Lasting Impression I, Inc.

DEMAND FOR JURY TRIAL

Defendant and counterclaimants MCN International, Inc. and Lasting Impression I, Inc. hereby demand a jury trial in this matter.

Dated: May 11, 2000

CHARLES C.H. WU & ASSOCIATES
A PROFESSIONAL CORPORATION
By: CHARLES C.H. WU

Attorneys for Defendants and Counterclaimant
MCN International, Inc. and Lasting Impression I, Inc.

DECLARATION OF LIN McKINSTRY

I, Lin McKinstry, declare as follows:

1. The facts set forth in this declaration are personally known to me and I have first hand knowledge of these facts. If called upon to testify during the court of this action, I could and would competently testify thereto under oath. I am the president of MCN International ("MCN").

2. I give this declaration in support of Lasting's application for a preliminary injunction or, alternatively, for summary judgment against plaintiff K.P. Permanent Make-Up, Inc. ("'KP").

3. In 1984, my business of Mei-Cha began manufacturing beauty supplies and equipment, including permanent makeup and related supplies and equipment. In 1992, MCN was formed to take up the business of Mei-Cha. MCN continues to market and sell the Mei-Cha brand.

4. In 1993/1994, MCN received from Lasting an exclusive international distributorship to market and sell "micro colors" products in the aesthetics and beauty portion of the permanent make up industry. There is a medical side to the permanent make up industry, but MCN does not do business in that sector.

5. Since MCN acquired said distributorship, I have continuously and aggressively marketed and promoted the Mei Cha and "micro colors" product lines. It bears noting that MCN does not have any clinics for the actual application of the permanent make up products to the ultimate user/customer. MCN only sells the products and equipment. MCN relies on clinics and beauticians to select and use its products.

6. While engaged in furthering the business of MCN, I have also monitored the activities of MCN's competitors, including plaintiff KP. I give this declaration based on my personal involvement and supervision in virtually every aspect of MCN's business.

I

MCN's USE AND PROMOTION OF THE "MICRO COLORS" TRADEMARK, AND ITS LEADERSHIP IN THE INDUSTRY

7. As the exclusive distributor for Lasting, MCN is authorized to market, distribute and sell Lasting's "micro colors" pigments.

8. A true copy of a sample color chart of the "micro colors" pigments is attached hereto as **Exhibit "8"**. The color chart advertises most of MCN's over 80 shades of "micro colors" that can match over 300 skin tones.

9. True copies of sample labels used by Lasting and MCN for its "micro colors" products is attached hereto as **Exhibit "9"**. As is shown, the "micro colors" mark is prominently displayed on the color chart and the product labels.

10. I truly believe that MCN has contributed greatly to the permanent make up industry consistent with its corporate objective to raise the standards of the industry through education, training and superior and safer tools and products. MCN has taken the lead to

create standards in an industry that lacks any governmental regulations. Because the permanent make up process involves penetration into the skin or dermal, the sterility of the tools and equipment is very important, and MCN is a leader in that aspect too.

11. Towards that end, MCN has supported major trade conferences that offered educational seminars.

12. MCN has a network of distributors that spans the globe in over 55 countries. Those countries are listed in one of MCN's published brochures. (A true copy of said list is attached nereto as **Exhibit "17"**.) Copies of advertisements by MCN and its local distributors in Brazil and Lebanon, for example, are attached hereto collectively as Exhibit "18".

13. MCN has now held over 6 different conferences here and abroad to promote the permanent make up industry and further the trade standards for product quality and safety. However, MCN also uses tradeshows to further sales efforts to compliment mail marketing to the members of the industry.

14. In August 1994, MCN sponsored and held a First Annual International MCN Micropigmentation Educational Conference that took place in Las Vegas, Nevada. (A true copy of a promotional brochure for said conference is attached hereto as Exhibit "11".) The conference was so successful in raising awareness within the industry that it prompted an editorial in the journal for the Centre For Dermal-Pigmentation Advancement of Texas. (A true copy of said editorial is attached hereto as **Exhibit "12"**.)

15. In August 1995, MCN sponsored and held a Second Annual International MCN Micropigmentation Educational Conference that took place in Anaheim, California. (A true copy of the agenda for said conference is attached hereto as **Exhibit "13"**.)

16. In 1997, MCN held its Third Annual conference in Mexico City, Mexico. (A true copy of excerpts from the program is attached hereto as **Exhibit "14"**.) We skipped a conference in 1996 as it was just too costly for MCN to organize events of such caliber and size at such first rate venues.

17. In 1998, MCN sponsored and held its Fourth conference that took place again in Las Vegas. (A true copy of a promotional brochure for said conference is attached hereto as **Exhibit "15"**.)

18. MCN has also branched into overseas conferences. In 1999, MCN sponsored and held its First Annual Congresso Brasileiro de Micropigmentacao in Sao Paulo, Brasil. (A true copy of a promotional brochure for said conference is attached hereto as **Exhibit "16"**.)

II

KP'S INFRINGEMENT ACTIVITIES: EVEN PLAINTIFF KP'S OWN MATERIALS SHOW THAT IT DOES NOT USE "MICRO-COLORS" FOR ITS PIGMENTS UNTIL RECENTLY IN 1999

19. MCN and plaintiff KP are direct competitors in the field of permanent make-up. Based on knowledge I acquired by reviewing KP's catalogues and price lists, and having seen KP's products at trade shows and elsewhere, both MCN and KP offer similar products to

the same types of customers. Both MCN and KP have developed respective pigments that we separately market with the use of color charts. I am aware of other competitors in the trade but, as far as I know to date, none of the other competitors use Lasting's registered "micro colors" mark.

20. I have attended hundreds of trade shows regarding skin and cosmetics care and products, and have consistently collected advertisements, price lists and "hand-outs" from competitors and others in the trade, especially those who also attend the trade shows. I attend the conventions that are organized by the International Congress of Esthetics, as well as the conventions that MCN has itself sponsored. I also keep up with the various trade periodicals that publish advertisements and articles concerning permanent make up. Furthermore, I also simply receive information in the mail from companies that seem to mass-mail their information to those of us in the permanent make up industry.

21. Based on my efforts in keeping up with the business, I am only aware of plaintiff KP's first use of "micro colors" by its advertisement in a 1999 trade show program. To my knowledge, before then, plaintiff KP did not use the "micro colors" phrase.

22. I have over the years obtained information on MCN's competitors primarily through trade shows and simply by receiving materials through the mail from the competitors. The materials I have received or acquired regarding plaintiff KP from 1995 to the present show that plaintiff KP did not use the term "micro colors" until 1999.

23. In 1995, I received price lists from plaintiff KP regarding its products. (True copies of said price lists are attached hereto as **Exhibits "19" and "20".)** In said price lists, plaintiff KP referred to its permanent make-up colors as "colors", "non toxic pigment" or "pigment color".

24. In a 1996 trade show program for El Decimo Congreso International De La Estetica (translated 10th Annual International Convention of Aesthetics), plaintiff KP advertised its "pigments color chart" without using the term "micro colors". (True copies of excerpts of said program are attached hereto as **Exhibit "21"**.)

25. In 1996 and 1997, I again received price lists from plaintiff KP regarding its products. (True copies of said price lists are attached hereto as **Exhibits "22" and "23"**.) In said price lists, plaintiff KP again referred to its permanent make-up colors as "colors", "non toxic pigment" or "pigment color".

26. In a 1998 trade show program for The International Congress of Esthetics held in Miami, Florida, plaintiff KP advertised a "color chart" without using the term "micro colors". (True copies of excerpts of said program are attached hereto as **Exhibit "24"**.)

27. I further obtained plaintiff KP's "color chart", copyrighted 1999, that did not use the term "micro colors". (A true copy of said chart is attached hereto as **Exhibit "25"**.)

28. In a 1999 trade show program for The International Congress of Esthetics held again in Miami, plaintiff KP *first* advertised a "micro color pigment chart". With that chart, it appears that plaintiff KP began

using the registered term of "micro colors". (True copies of excerpts of said program are attached hereto as **Exhibit "26"**.)

29. I came across plaintiff KP's "micro color pigment chart" again as it was included among plaintiff KP's price list and order form. (True copies of said materials are attached hereto as **Exhibit "27"**.)

30. Then, in the 2000 IBS Long Beach trade show, plaintiff KP again advertised its infringing "micro color pigment chart". (True copies of excerpts of said program are attached hereto as **Exhibit "28"**.)

31. The words "micro color" in plaintiff KP's infringing ads are conspicuously kept together in a manner similar to Lasting's registered trademark, yet collectively separated from "pigment" and "chart".

Plaintiff KP has aligned the words as follows:

microcolor
pigment
chart

32. To date MCN, together with Lasting, are still in the process of determining whether any one has been actually confused by plaintiff KP's using the "micro color" trademark.

III

OTHER COMPETITORS DO NOT USE "MICRO COLORS" FOR PIGMENTS

33. I have researched how other competitors in the permanent make up business market or advertise their make up pigments. Other than plaintiff KP, I have found no other company that uses the phrase "micro color" to market permanent make up pigments.

34. Identified below are various competitors along with a brief description of how they respectively market their permanent make up pigments:

(1) A 1992-93 price list for Solutions For Beauty advertised its permanent make up colors as "Permanent Cosmetic Color". (A true copy of said price list is attached hereto as **Exhibit "30"**.)

(2) A 1993 price list for Acti-Color advertised its permanent make up colors as "pigments". (A true copy of said price list is attached hereto as **Exhibit "31"**.)

(3) A 1993 price list for United Tattoo Supply advertised its permanent make up colors as "cosmetic colors" and "United creamy pre-mix colors". (A true copy of said price list is attached hereto as **Exhibit "32"**).

(4) A 1994 price list for the Institut Americain de Dermo-Pigmentation advertised its pigments as "liquid/cream pigments". (A true copy of said price list is attached hereto as **Exhibit "33"**.)

(5) A price list for Mei Beauty Products, Inc. (from a 1997 trade show) advertised its pigments and color chart for "Mosty colors". (A true copy of said price list/color chart is attached hereto as **Exhibit "34"**)

(6) A price list for Permanent Make-Up, Inc. (dated October 1, 1997) advertised its colors simply as "non-toxic pigment". (A true copy of said price list is attached hereto as **Exhibit "35"**.)

(7) The Academy of Electrology advertised its permanent make up colors as "Sof Tap Permanent Cosmetics" in 1997. (A true copy of said ad is attached hereto as **Exhibit "36"**.)

(8) As mentioned above, plaintiff KP offered a "color chart" and otherwise advertised its pigments without using the "micro colors" mark. (True copies of KP's price lists and ads are attached hereto as **Exhibits "19", "20", "21", 22", "23", "24" and "25"**.)

(9) A June 1999 price list for Charme International advertised 42 different shades of "MegaColors pigments". (A true copy of said price list is attached hereto as **Exhibit "37"**.)

(10) An undated price list for Cleo Colors advertised its "Cleo Color pigments". (A true copy of said price list is attached hereto as **Exhibit "38"**.)

(11) An undated color chart for Premier Products advertised its "mixing colors", "correctional colors", "camouflage colors", among others. (A true copy of said color chart is attached hereto as **Exhibit "39"**.)

(12) An undated price list for Tri-Lab Products advertised its "Designer Series Colours". (A true copy of said price list is attached hereto as **Exhibit "40"**.)

(13) An undated price list for Spaulding-Rogers Mfg., Inc. advertised its "Cosmetic Colors" and "Tattoo Colors". (A true copy of said price list is attached hereto as **Exhibit "41"**.)

(14) An undated price list for Permanent Choices advertised its color chart and price list for "Permanent Choices Pigments" and "permanent makeup colors". (A true copy of said price list/color chart is attached hereto as **Exhibit "42"**.)

(15) An undated advertisement for Silver Needles Products & Services, Inc. advertised its "Rainbow Colors" created by Rainbow Pigment Colors, Inc. (True copies of said advertisement and the related price list are attached hereto as **Exhibit "43"**.)

(16) An undated catalog for Derma-Medical Institute advertised its colors as "Derma Medical Colors". (A true copy of excerpts of said catalog is attached hereto as **Exhibit "44"**.)

(17) An undated price list for Forever Natural advertised its colors as "premixed cosmetic pigments". (A true copy of said price list is attached hereto as **Exhibit "45"**.)

(18) An undated price list for Forever More Permanent Cosmetics Inc. advertised its colors simply as "liquid pigments". (A true copy of said price list is attached hereto as **Exhibit "46"**.)

(19) Mary's Permanent Make-up advertised its color chart simply as a "color chart". (A true copy of said price list is attached hereto as **Exhibit "47"**.)

(20) A price list for Paradise Permanent Make-up advertised its colors simply as "pigments". (A true copy of said price list is attached hereto as **Exhibit "48"**.)

(21) A color chart for Boca Ta-2 advertised its colors simply as "pigments". (A true copy of said color chart is attached hereto as **Exhibit "49"**.)

35. Further, in the 2000 Directory issue or the April 2000 issue of *Skin, Inc.*, the magazine published a list called "Brand Name Cross-reference". That reference list identifies the "micro colors" brand as belonging to Lasting and MCN:

Brand Name	Company Name
Micro-Color Pigments	Lasting Impression I
Micro-Colors	MCN International

(True copies of excerpts of said magazine are attached hereto as **Exhibit "50"**.) *Skin, Inc.* is a widely respected trade journal for the beauty or esthetics industry, and I suspect that any company in the trade subscribes to it or should subscribe to it.

36. As the *Skin, Inc.* reference list shows, no other company is recognized as a user of the "micro colors" mark.

IV

PLAINTIFF KP SHOULD HAD KNOWN OF THE REGISTERED "MICRO COLORS" MARK

37. I believe that plaintiff KP had prior knowledge of Lasting's and MCN's "micro colors" mark, or should had known of the mark.

38. First, plaintiff KP had constructive knowledge of Lasting's mark as registered in 1993 (**Exhibit "1"**).

39. Second, MCN engaged in heavy promotion of its "micro colors" product line, especially at its 1994, 1995, 1997 and 1998 trade shows and at industry trade shows in 1998, 1999 and 2000 for which program excerpts are provided herein. (**Exhibits "11", "13", "14", "15", "16", "24", "26", and "28"**.)

40. Third, plaintiff KP and MCN were co-exhibitors at industry trade shows in 1998, 1999 and 2000. (**Exhibits "24", "26", and "28"**.) It would not be unreasonable to assume that representatives of each company observed the other's booths and products on display.

41. Fourth, plaintiff KP and MCN are not legal strangers. On November 22, 1996, MCN sued plaintiff KP for patent infringement in the matter entitled Mei-Chi-Na Beauty International, Inc. v. Theresa Kim dba Kim's Paradise, aka K. P. Permanent Make-Up and Skin Care, as Case No. SACV 96-1155 AHS (Eex) in this very Court. The parties entered into a Stipulated Consent Judgment by which KP acknowledged that it had committed patent infringement. (True copies of said Complaint and Stipulation are attached hereto as **Exhibits "51" and**

"52".) One would think that plaintiff KP would be more alert as to the products and proprietary assets of MCN, and be more careful when treading into the area of the "micro colors" trademark.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on September 27, 2000 at Irvine, California.

Lin McKinstry

EXCERPTS FROM DEPOSITIONS

Deposition of Darlene Story

DIRECT EXAMINATION

* * *

By Mr. Machat:

Q Yes. Is there a difference in meaning between micropigmentation and pigmentation?

A No.

Q They mean the same?

A Yes.

Q Is there a difference in meaning between pigment and color?

A Pigment, if there is a difference between, what pigments mean, dictionary-wise and colors?

Q Yes, pigments and colors as used in the industry.

A I would say the same, pigments, if I am talking dictionary.

Q Well, ordinary meaning within the industry, when I say within the industry, you know, between consumers and sellers, they mean the same?

A Yes. I don't think that is –

MR. WU: Do you mean to her or from an industry

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point of view? I think that is what she was –

Q BY MR. MACHAT: Well, it was generally accepted meaning of the words pigments and colors, within the industry, within people that buy products, people that sell products, people that apply the products to people, do the terms generally mean the same?

A Generally, but you, I think it's more pigments, if that is what you are asking. I am not sure what you are asking.

Q Well, I just want to know are the words used interchangeably?

MR. WU: That is a "yes" or "no" question. Are the words used interchangeably?

THE WITNESS: Yes, but not often. I mean it's mostly pigments are used, but I – you know.

MR. WU: Just "yes" or "no."

THE WITNESS: Yes.

(Story Deposition p. 34, line 8 to p. 35, line 17.)

* * *

By Mr. Machat

Q BY MR. MACHAT: All right. Turn to the

fourth page, the fourth page where it says in bold underlined it says "Pigmentation Color Match Procedure."

A Uh-huh.

Q Correct me if I am wrong, but didn't you say before that pigmentation and micropigmentation were the same thing?

A Excuse me.

Q Didn't you testify before that pigmentation and micropigmentation were the same thing?

A Uh-huh.

Q "Yes"?

A Yes.

Q Now, this line says: "Pigmentation Color Match Procedure."

A Uh-huh.

Q So that could just as easily say micropigmentation color match procedure; correct?

A Yes.

(Story deposition, page 50)

* * *

By Mr. Machat

Q If we go back to the Bio-Touch examples, Exhibit D, I will just show it to you, where it says where they use the phrase "Micro Pigment Color," do you find the use of that phrase objectionable?

A I would also say I am not sure on that, too. This is the first time I am seeing it.

Q So you don't know if the phrase "Micro Pigment Color" in your opinion, you don't know if that infringes upon your trademark?

A That, no.

MR. WU: Objection. Legal question.

THE WITNESS: No, that is different.

Q BY MR. MACHAT: But you don't know whether or not you object to it at this time because it's the first time you have seen it; is that correct?

A Correct.

(Story deposition, page 83, line 18 through page 84, line 8.)

***

By Mr. Machat

Q Well, if my client's products or color chart said "Micropigmentation Color Chart," would you object to that?

A No.

(Story deposition, page 99, lines 14-17.)

***

By Mr. Machat

Q Now, what does the term pigment color mean?

MR. WU: Objection.

THE WITNESS: Dictionary.

MR. WU: Assuming facts not in evidence. You are assuming she knows what it means.

Q BY MR. MACHAT: Well, do you use the phrase pigment color?

A Myself?

Q Yes.

A No.

Q Have you ever used the phrase pigment color?

A I don't recall. I might say pigments.

Q You don't recall referring to pigments as pigment colors?

A No.

Story deposition page 33, line 10 to line 24.

***

By Mr. Machat

Q How many articles have you written that have been published in industry publications?

A I believe three to four. It might be more. It might be less.

MR. MACHAT: Give me one second.

(A discussion was held off the record.)

Q BY MR. MACHAT: I am going to show you a document that we will label as Exhibit A.

And can you tell me, are you the author of this document?

A One of the authors.

Q I notice that there are two authors. It says Richard Story and Darlene Story; is that correct?

A Yes.

Q Did you both write this together or did one?

I mean which one of you wrote it more than the other or did you both evenly contribute to it?

MR. WU: It's compound question again. Why don't we do it one at a time. Probably just answer the first one, which one of you, would you say?

Q BY MR. MACHAT: Well, rephrase the question.

When you say there were two authors, who was the primary writer of this article?

A I would say Richard.

Q Did you contribute 50 percent to it or less?

A Probably less.

Q Did you read this before it was published?

A Yes.

Q And did you help edit this article?

A A little.

Q Now, you said earlier that you have never used the phrase pigment colors; correct?

Is that a "yes"?

A I am sorry. Say the question again. I am sorry.

Q You said earlier that you never used the phrase pigment colors before?

A Together?

Q Yes.

A Yes.

Q Turn to Page 539 of this article. And do you see where it says Line No. 7, can you read that, please, that Line No. 7.

A Okay, "pigment colors."

Q Yes. Can you read the whole thing out for the record.

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A "Using a clean toothpick open another of the selected pigment colors and repeat Steps 5 and 6."

Story deposition, page 36, line 5 to page 38, line 3.

* * *

By Mr. Machat

Q So you don't use that, I mean you testified earlier that you don't use that phrase pigment colors together.

Now that you have had a break and discussed it with your counsel, is your answer still the same that you don't use the phrase pigment colors together?

A You have to understand what pigments mean, particularly in this contents.

Q I am not talking about – I just want to know –

A It all depends on the contents that you are using it in.

Q I just want to know if you used the phrase pigment colors, I mean earlier on I asked you what does pigment colors mean and you said the same thing.

I said do you ever use them together. And you said you don't use the phrase pigment color. So I just want to know is your answer still the same?

A Yes.

Q So you don't use the phrase pigment color?

A Let me think. Again, I would say it would be the contents of how it is used.

Q I just want to know if you used the phrase pigment color together or not.

MR. WU: Do you mean absolutely across the board?

Q BY MR. MACHAT: Well, I mean you said you don't use the phrase pigment colors, and I just want to know if your answer changed. I mean first you said you don't use it.

MR. WU: Just take the question in the literal sense, across the board.

THE WITNESS: Across the board.

MR. WU: Yes.

THE WITNESS: Across the board the answer would be no.

Q BY MR. MACHAT: Did you write an article or a pamphlet guidebook called "The Ultimate Guide to Pigments"?

A Yes.

Q Is this a copy of that article that you wrote?

A Yes.

Q Let's label that as Exhibit B.

Is that the article?

A Yes.

Q Can you read the cover to me, please. Can you read the cover into the record.

A "The Ultimate Guide to Pigments."

Q And can you read what it says below that.

A "A Virtual Education in Pigment Colors, Micro Colors Guidebook."

Q Great. Thank you.

Now, are there other occasions when you have personally used the word pigment colors other than in this article and in the other article I showed you before in Exhibit A?

A Personally where? What do you mean?

Q You wrote this Exhibit B; correct?

A I was one of the writers.

Story deposition, page 44, line 4 to page 46 line 11

* * *

By Mr. Machat

Q And when was this Exhibit 2, when was it written?

MR. WU: Exhibit B you mean.

Q BY MR. MACHAT: Sorry. Exhibit B.

A A couple -- I believe a couple of years ago. 1999.

Q 1999?

A Uh-huh, publishing, published.

Q Alfredo Gonzalez, Kenya Lopez and Mario Gisbert, are they customers of yours?

A Of Lasting Impression?

Q Yes.

A Alfredo, no. Kenya, no. Mario, yes.

Q Can you go to the second to last page of this article where there is a chart of Micro-Colors

A Yes.

Q Can you read into the record the very last line where it says "Please Note."

A "Please Note: Due to limitations in the printing process, the colors shown on this sheet may vary slightly from the actual pigment color."

Story deposition, page 48 line 4 to line 25

* * *

By Mr. Machat

Q BY MR. MACHAT: All right. Turn to the fourth page, the fourth page where it says in bold underlined it says "Pigmentation Color Match Procedure."

A Uh-huh.

Q Correct me if I am wrong, but didn't you say before that pigmentation and micropigmentation were the same thing?

A Excuse me.

Q Didn't you testify before that pigmentation and micropigmentation were the same thing?

A Uh-huh.

Q "Yes"?

A Yes.

Q Now, this line says:

"Pigmentation Color Match Procedure."

A Uh-huh.

Q So that could just as easily say micropigmentation color match procedure; correct?

A Yes.

Story deposition page 50, lines 6 to 24.

* * *

By Mr. Machat

A Micropigmentation color match procedure, no, doesn't sound right.

Q It could say it, but it doesn't sound right; is that your answer?

A Yeah, it doesn't sound right. It wouldn't be appropriate in this structure.

Q Why would it not be appropriate in this structure?

A Because you are determining – you are not actually doing the procedure, you are determining matching for that client or patient.

Q So you are saying that there is a difference now between pigmentation and micropigmentation?

MR. WU: Objection. She's saying there is a difference between pigmentation color and micropigmentation color.

Q BY MR. MACHAT: My question is earlier you said there is no difference between pigmentation and micropigmentation. My question now is, have you changed your answer from before?

A It's the contents in which you are using it.

Story deposition page 51, lines 1 through 21.

Deposition of Lyn McKinstry

DIRECT EXAMINATION

* * *

By Mr. Machat:

Q. You are familiar with Tattooing, yes?

A. I understand – not familiar – I understand the tattoo.

Q. No, a company called Tattooing, are you familiar with them?

A. I saw them at the exhibit.

Q. Which exhibit did you see them at?

A. Trade shows.

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Q. Were you at the trade show in Miami, Florida in October '98?

A. Yes.

Q. I'm showing you what was marked yesterday as Exhibit G.

A. Yes.

Q. Did you obtain that exhibit from their stand at the trade show?

A. Yes.

Q. And you subsequently gave a copy of that exhibit to your attorney; correct?

A. Correct.

Q. Who then provided it to me in the course of discovery?

A. Uh-huh.

Q. If you look on the second page of that Exhibit G –

A. Uh-huh.

Q. – doesn't it start off with the phrase "Our Micro Colors are the best in the world"?

A. Yes, that's what it said

(McKinstry deposition, page 29, line 18 to page 30, line 21.)

* * *

By Mr. Machat

Q. Do you ever get concerned that people may confuse the term "Micro Pigment" with your brand?

A. Yes.

Q. And why do you get concerned? Does that happen?

MR. WU: Objection. Vague as to the word "your brand."

BY MR. MACHAT:

Q. Your brand, I'm talking about the brand that's the subject of this lawsuit, Micro Colors.

A. Can you repeat your question again.

Q. Yes. Do you ever get concerned that people may be confused by the term Micro Pigment, and confuse that for your brands meaning –

A. For Micro Color.

Q. For Micro Color?

A. Yes.

Q. How often does that happen that people are confused?

A. I receive reports from staff about the confusion.

Q. Do you have any reports to disclose?

A. Not in the written form.

Q. Any particular products that people tell you that are – well, strike that.

Who among your staff have told you that there has been some confusion here?

A. Every one of them.

McKinstry's deposition, page 72 line 22 through page 73, line 24.

DECLARATION OF THERESA KIM PLANTE

I, Theresa Kim Plante, hereby declare and state that:

1. I am the principal shareholder and President of Plaintiff, K.P. Permanent Make-up, Inc.

2. I first learned about the art of permanent make-up while studying with my aunt in Vietnam. My aunt had a cosmetology school called Kim Thien, where I studied from 1968 to 1970, before graduating in 1970.

3. From 1970 to approximately 1975, I taught cosmetology and did cosmetic tattoos.

4. After the fall of Saigon, I came to the United States in 1975. From 1975 through 1984, I worked part time for East Los Angeles Community College. In 1985, I started my own business, Kim's Paradise, in Los Angeles. I was helped by my husband, Kevin Plante, who is a registered nurse, and by June Noel.

5. In 1985, there were no schools that I know of that taught the art of cosmetic tattoos. It was mostly unheard of in America at that time. Cosmetic tattooing is the art of applying tattoo pigment to the face in a subtle manner to make the end result look natural. For example, someone might want a beauty mark, or eyeliner applied to their face and this is what I would do. I did these type of procedures while I lived in Vietnam. Over time, the art of cosmetic tattooing became known as permanent make-up. This is distinct from tattoos for the body.

6. Around 1989, I began to teach others how to apply permanent makeup to others. At that time, there were very few people in the US that knew how to apply permanent makeup, and many people would come to me asking me how to do it. As I began to teach others in the art and science of permanent make-up, I began to further fulfil the needs of my students by selling them permanent make up products. Clinicians came to me for training from across the US. When they finished their training, they would then often request to purchase products. The business grew as I sold items such as permanent make up machines, needles, needle covers, micropigmentation colors, topical anaesthetics, and other related supplies to my clients throughout the US.

7. In the mid to late 1980's, Dr. Angres obtained some patents relating to micropigmentation. He obtained a patent for a machine he called a micropigmentation implanter. He sometimes shortened the name of his machine to just microimplanter. Dr. Angres also obtained a patent on the application of permanent eyeliners, a procedure I had been performing back in Vietnam. Dr. Angres gave lectures in the art and science of micropigmentation. Dr. Angres frequently used the terms microimplantation and micropigmentation when he referred to cosmetic tattooing.

8. Sometime around, 1992, Dr. Angres sued various individuals in the micropigmentation trade claiming the exclusive right to use micropigmentation techniques to create permanent eyeliner for women. Among those sued was MCN International and Tinny Beauty International Since I was performing these techniques in Vietnam before Dr. Angres came on the scene, Dr. Angres did not sue me too. Dr. Angres eventually lost his lawsuit against Tinny Beauty, and dismissed his lawsuit against MCN.

9. Since Dr. Angres' arrival in the field, the phrase micropigmentation has become synonymous with the

phrase permanent make-up. The industry that I operate in is referred to both as micropigmentation and permanent make-up. Although what we do is similar to tattooing, the industry refrains from using that term because the connotation of a tattoo is so different from the connotation of make-up.

10. Micropigmentation is the process of implanting micro pigments into the skin. Micro refers to small. Pigments is of course color. I have been shown an article written by Darlene Story, which is attached to her deposition as Exhibit N. I concur with her representation in the article that the molecular size of the pigments are very small. She states that the size of her pigments are six microns. That seems about right. I believe the prefix micro in micropigmentation is derived from the fact that the size of the particles implanted into the skin are micron sized.

11. There are various types of micropigmentation supplies. The supplies include needles, machines, sometimes called pens, and microcolors, the subject of this lawsuit. There are various synonyms for microcolors, such as: micropigments, microcolor pigments, micropigment colors and pigment colors.Both of these terms, micropigments and microcolors are abbreviations for micropigmentation colors. They all mean the same thing and are generic.

12. Attached to the deposition of Darlene Story, are examples of the widespread use of microcolor and/or close synonyms for microcolors in the trade. Page 2 of Exhibit G says at the top, "OUR MICRO COLORS ARE THE BEST IN THE WORLD." Exhibit G is a brochure put out by a competitor called Tattooing. The date of this brochure is October 1998. Exhibit E shows the use of the term "micro pigment colors" by our competitor, Bio Touch. The back side of Exhibit F also shows the use of the term "micro pigment color" by Bio Touch. Exhibits E and F were acquired by my daughter in law and myself at a trade show about a year and a half ago. Exhibit L shows the use of the term "micro pigment cosmetic color" by Yee Beauty. Exhibit U, attached to the declaration of MCN president Lin McKinstry, shows the use of the term micropigment by competitor Mosty.

13. I first began selling permanent makeup colors myself in 1989. At that time, I was still operating under the name Kim's Paradise, but I sometimes abbreviated the name of the business to just "K.P." It was during that time that I began referring to the permanent makeup colors as micropigmentation colors. The micropigmentation colors were bottled inside small plastic bottles. I affixed a label to each bottle. My original labels simply identified my company and listed the color as " Color Pink 3" (or green or gray 1 or whatever the color happened to be.) These original labels did not use the term microcolor.

14. In the beginning of 1991, I noticed that permanent make-up was becoming very popular, and I wanted to make sure that the public did not confuse our product with products intended for use with tattoos. Therefore, I wanted to change color to micropigmentation color. As already mentioned, micropigmentation color is the technical term for what we sell. However, since that term was so long, it was awkward to fit it all on the label. Also, it was the custom in the industry to shorten micropigmentation color to microcolor. So in the beginning of 1991 I began using the term microcolor on my labels. Today the labels remain almost exactly the same today as they were in 1991. In March of 1998, we changed printers and the color of the background was changed to gold. Everything else remained the same. A

sample of our label is attached to our motion as Exhibit J.

15. Over the years, my business has expanded. People were coming to train with us and they came from all over. Once they trained with us and went home, they would then begin to start using our products. As a consequence we began to ship our products to salons throughout the US. Our number one state in terms of sales was always California. Florida became our second largest market, followed by New York and Texas.

16. In 1997, 1 incorporated my company under the name "K.P. Permanent Make-Up, Inc." in California. My company currently ships product throughout the United States and into other countries throughout the world, including into Japan, the Netherlands, Australia, France, Germany, England, Israel, Turkey, Norway, Spain, Italy, Brazil, Chile, Columbia, Venezuela, Peru, and other places throughout the world. We now sell our products to distributors in addition to salons. Our sales in foreign countries are usually to distributors. Although there are people who buy our products in the US and then resell them to others, we mostly sell directly to salons in the US.

17. In 1990 I began distributing flyers at trade shows which included the generic term microcolors. Exhibits H and I, both of which are attached to the deposition transcript of Darlene Story, a copy of which I am told will be lodged with this court, are samples of flyers that I handed out in 1990 and 1991, respectively. Both flyers use the generic and/or descriptive term microcolor. The word microcolor is used to indicate that included with the offer made on the flyer are 5 microcolor pigments.

18. It was only recently, sometime around 1999, that we began to print brochures on glossy card stock. Our current brochure consists of a color folder with printing on all four sides of the folder. The name "K.P Permanent Make-Up" and our logo consisting of the letters "K.P" adjacent to an eye with a colored eyelash and eyebrow" are prominently displayed throughout the folder. These four sides of the folder do not mention the words "micro color" or the word "microcolor". Inside each folder is a color printed price list on cardstock. The price list does not mention the words "micro color" or the word "microcolor" Also included in the brochure is a color chart. One side of the chart shows the colors for permanent make-up pens. (These are devices that are used to apply permanent make-up.) The other side of the color chart shows the various colors available for our micropigmentation colors. The phrase microcolor is used over here in a generic and/or descriptive sense. The exact phrasing is "microcolor pigment chart." The words describe exactly what the chart is.It is a chart of micro pigment colors. A copy of our brochure is attached as Exhibit K to the deposition transcript of Darlene Story, which is separately being lodged with this Court.

19. We have been attending trade shows for years. We attend many more shows than defendant MCN International or defendant Lasting Impression. There are many shows that we attend where we do not see a presence for Lasting Impression, or MCN. We exhibit at approximately 8 to 10 shows per year. The trade shows are attended by distributors and individual salons. We bring product to the show and sell it there at the show. We also bring brochures to the show for people to take, so they have information to take home and can buy later.

20. At these trade shows, we occasionally see Lin McKinstry of MCN International. We believe she makes it a habit to observe other competitors in the micropigmentation industry so she can copy their ideas and later claim them as their own. We have noticed that MCN seems to copy our ways of doing business from year to year. Over time MCN has not only taken our prior year's booth location from one year to the next at the annual industry show held in Miami, but MCN principal, Lin McKinstry, has also created a ruckus at the Miami show when she saw us selling a machine that was sold to us by a silent shareholder of MCN. McKinstry, and Chou, the silent shareholder, then arranged to transfer the patent rights to Chou's machine to MCN so that MCN could sue us for selling what was sold to us by Chou. This fraud was only recently discovered in the course of this lawsuit. I believe the cease and desist letter sent by defendants' counsel that precipitated the filing of this lawsuit is just another example of harassment by defendants.

21. In addition to copying my use of the term microcolors, defendants have also copied me in other instances. For instance, in or around 1996, my company came out with a permanent makeup machine which we called "P 5000". I noticed that defendant MCN came out with a similar machine which they called Platinum 5000, and then shortened its name to P 5000 in 1999.

22. My company has been naming our microcolors as Red 1, Red2, Pink 1, Pink2. Now, MCN also uses Red 1, Red 2, etc. In 1999, we came out with color wheel instead of little checker board to illustrate our microcolors. Recently, MCN did the same, and now they have a wheel in their brochure. My company is not so foolish as to try to sue MCN for copying these ideas which appear to be in the public domain. I only mention

it now so it can be documented, to prevent defendants from claiming intellectual property rights in the future to things not rightfully theirs.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct. Executed this 18th day of April, 2001, at Los Angeles, California.

Theresa Kim Plante

DECLARATION OF

I, Virginia Arabi, hereby declare and state that:

1. I have been a customer of Theresa Plante and her company since 8-5-1990.
I run a salon entitled Carousell Beauty Salon and located at 2500 West 6th Street #A Los Angeles, CA 90057.

2. I have been buying KP Permanent Make-Up since 8-5-1991.

3. The labels affixed to the bottles of KP Permanent Make-Up have remained virtually the same since I first began buying the product. The only change I have noticed is the background color has changed from silver to gold.

4. The term microcolor has been used on every label affixed to every bottle of KP Permanent Make-Up since I have bought since 8-5-1991.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

Executed this 4 day of October, 2000, at Los Angeles, California.

DECLARATION OF

I, Loan Lam, hereby declare and state that:

1. I have been a customer of Theresa Plante and her company since 3-28-92.
I run a salon entitled L-Q Beauty Salon and located at 7008 Reseda Bl, Reseda, CA 91335.

2. I have been buying KP Permanent Make-Up since 3-28-92.

3. The labels affixed to the bottles of KP Permanent Make-Up have remained virtually the same since I first began buying the product. The only change I have noticed is the background color has changed from silver to gold.

4. The term microcolor has been used on every label affixed to every bottle of KP Permanent Make-Up since I have bought since 3-28-92.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

Executed this 4 day of October, 2000, at Los Angeles, California.

DECLARATION OF

I, Florida Arevado, hereby declare and state that:

1. I have been a customer of Theresa Plante and her company since June 91.
I run a salon entitled Arceo's Beauty Salon and located at 2430 Gage Ave, Huntington Park, CA 90255.

2. I have been buying KP Permanent Make-Up since June 91.

3. The labels affixed to the bottles of KP Permanent Make-Up have remained virtually the same since I first began buying the product. The only change I have noticed is the background color has changed from silver to gold.

4. The term microcolor has been used on every label affixed to every bottle of KP Permanent Make-Up since I have bought since June 91.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

Executed this 10 day of October, 2000, at Los Angeles, California.

DECLARATION OF

I, Diane Tran, hereby declare and state that:

1. I have been a customer of Theresa Plante and her company since Nov/22/92.
I run a salon entitled and located at 7262 Elmsburg Ln, West Hills, CA 91307.

2. I have been buying KP Permanent Make-Up since Nov/22/92.

3. The labels affixed to the bottles of KP Permanent Make-Up have remained virtually the same since I first began buying the product. The only change I have noticed is the background color has changed from silver to gold.

4. The term microcolor has been used on every label affixed to every bottle of KP Permanent Make-Up since I have bought since Nov/22/92.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

Executed this 16 day of November, 2000, at Los Angeles, California.

DECLARATION OF

I, Marie Boyer, hereby declare and state that:

1. I have been a customer of Theresa Plante and her company since 1991.
I run a salon entitled Malia's Natural Beauty Clinic and located at 9024 Elk Grove Boulevard, Elk Grove, CA 95624.

2. I have been buying KP Permanent Make-Up since Dec., 1989.

3. The labels affixed to the bottles of KP Permanent Make-Up have remained virtually the same since I first began buying the product. The only change I have noticed is the background color has changed from silver to gold.

4. The term microcolor has been used on every label affixed to every bottle of KP Permanent Make-Up since I have bought since 1991.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

Executed this 10 day of November, 2000, at Los Angeles, California.

DECLARATION OF

I, Aily Yang Rashad, hereby declare and state that:

1. I have been a customer of Theresa Plante and her company since June 19, 91.
I run a salon entitled 34 N. 1st St. and located at Banning, CA 92220 (909) 922-0876.

2. I have been buying KP Permanent Make-Up since June 19, 91.

3. The labels affixed to the bottles of KP Permanent Make-Up have remained virtually the same since I first began buying the product. The only change I have noticed is the background color has changed from silver to gold.

4. The term microcolor has been used on every label affixed to every bottle of KP Permanent Make-Up since I have bought since 91.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

Executed this day of October, 2000, at Los Angeles, California.

DECLARATION OF

I, Ondina Calix, hereby declare and state that:

1. I have been a customer of Theresa Plante and her company since Feb. 20-92.
I run a salon entitled New Dimensions and located at Col Las Hadas Tegucigalda Honduras, CA.

2. I have been buying KP Permanent Make-Up since Feb. 2- 92.

3. The labels affixed to the bottles of KP Permanent Make-Up have remained virtually the same since I first began buying the product. The only change I have noticed is the background color has changed from silver to gold.

4. The term microcolor has been used on every label affixed to every bottle of KP Permanent Make-Up since I have bought since Feb. 20-92.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

Executed this 29 day of October, 2000, at Los Angeles, California.

DECLARATION OF

I, Maria Macial, hereby declare and state that:

1. I have been a customer of Theresa Plante and her company since Jan.-91.
I run a salon entitled Elegante Beauty Salon and located at 7212 S. Broadway Los Angeles, CA 90003.

2. I have been buying KP Permanent Make-Up since Jan.-91.

3. The labels affixed to the bottles of KP Permanent Make-Up have remained virtually the same since I first began buying the product. The only change I have noticed is the background color has changed from silver to gold.

4. The term microcolor has been used on every label affixed to every bottle of KP Permanent Make-Up since I have bought since Jan.-91.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

Executed this 5 day of October, 2000, at Los Angeles, California.

DECLARATION OF

I, Misma B, hereby declare and state that:

1. I have been a customer of Theresa Plante and her company since 1992.
I run a salon entitled Misma Lopez and located at 14311 Aurd Rd La Paente, CA 91744.

2. I have been buying KP Permanent Make-Up since 1992.

3. The labels affixed to the bottles of KP Permanent Make-Up have remained virtually the same since I first began buying the product. The only change I have noticed is the background color has changed from silver to gold.

4. The term microcolor has been used on every label affixed to every bottle of KP Permanent Make-Up since I have bought since 1992.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

Executed this 16 day of November, 2000, at Los Angeles, California.

DECLARATION OF

I, Wendy Gomez, hereby declare and state that:

1. I have been a customer of Theresa Plante and her company since 10-23-95.
I run a salon entitled and located at 1668 E 50th St Los Angeles CA 90011.

2. I have been buying KP Permanent Make-Up since 10-23-95.

3. The labels affixed to the bottles of KP Permanent Make-Up have remained virtually the same since I first began buying the product. The only change I have noticed is the background color has changed from silver to gold.

4. The term microcolor has been used on every label affixed to every bottle of KP Permanent Make-Up since I have bought since 10-23-95.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

Executed this day of October, 2000, at Los Angeles, California.

DECLARATION OF

I, Norma Abad, hereby declare and state that:

1. I have been a customer of Theresa Plante and her company since 1996.
I run a salon entitled and located at 3124 San Fernando Rd. LA 90065.

2. I have been buying KP Permanent Make-Up since 2/13/96.

3. The labels affixed to the bottles of KP Permanent Make-Up have remained virtually the same since I first began buying the product. The only change I have noticed is the background color has changed from silver to gold.

4. The term microcolor has been used on every label affixed to every bottle of KP Permanent Make-Up since I have bought since 1996.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

Executed this day of October, 2000, at Los Angeles, California.

DECLARATION OF

I, Diane Nguyen, hereby declare and state that:

1. I have been a customer of Theresa Plante and her company since 1991.
I run a salon entitled NH and located at 3E Taggart Dr Nashya NH 03060.

2. I have been buying KP Permanent Make-Up since 1991.

3. The labels affixed to the bottles of KP Permanent Make-Up have remained virtually the same since I first began buying the product. The only change I have noticed is the background color has changed from silver to gold.

4. The term microcolor has been used on every label affixed to every bottle of KP Permanent Make-Up since I have bought since 1991.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

Executed this 28 day of February, 2000, at Los Angeles, California.

DECLARATION OF

I, Aurora Granades, hereby declare and state that:

1. I have been a customer of Theresa Plante and her company since 1990.
I run a salon entitled Varsity Salon and located at 5201 Gage Ave Bell, CA 90241.

2. I have been buying KP Permanent Make-Up since 1990-1991.

3. The labels affixed to the bottles of KP Permanent Make-Up have remained virtually the same since I first began buying the product. The only change I have noticed is the background color has changed from silver to gold.

4. The term microcolor has been used on every label affixed to every bottle of KP Permanent Make-Up since I have bought since 1991.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

Executed this day of November, 2000, at Los Angeles, California.

(323) 560-8099
(562) 928-1706
Pg(323) 372-7032

DECLARATION OF

I, Elvira Abrudan, hereby declare and state that:

1. I have been a customer of Theresa Plante and her company since 1991.
I run a salon entitled and located at 9831 Royal Palm Garden Grove CA 92841.

2. I have been buying KP Permanent Make-Up since 1991.

3. The labels affixed to the bottles of KP Permanent Make-Up have remained virtually the same since I first began buying the product. The only change I have noticed is the background color has changed from silver to gold.

4. The term microcolor has been used on every label affixed to every bottle of KP Permanent Make-Up since I have bought since 1991.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

Executed this day of November, 2000, at Los Angeles, California.

CASE NO: SA-CV-00-276-GLT (EEx)

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
SOUTHERN DIVISION – SANTA ANA

K.P. PERMANENT MAKE-UP, INC.,
Plaintiff,

v.

LASTING IMPRESSION, INC. and MCN
INTERNATIONAL, INC.,
Defendants.

LASTING IMPRESSION I, INC.,
Counterclaimant,

vs.

K.P. PERMANENT MAKE-UP, INC.; and
ROES 1 through 10, inclusive;
Counter-Defendants.

LASTING IMPRESSION I, INC.'S
AND MCN INTERNATIONAL, INC. ' S
MOTION FOR SUMMARY ADJUDICATION;
MEMORANDUM OF POINTS AND AUTHORITIES;

Date: May 14, 2001
Time: 10:00 a.m.
Ctrm: 10D

TO ALL PARTIES AND TO THEIR ATTORNEYS OF RECORD:

PLEASE TAKE NOTICE that on May 14, 2001, at 10:00 a.m., or as soon as the matter may be heard, in Courtroom 10D of the above-entitled court located at located at 411 West Fourth Street, Santa Ana, California 92701, defendant and counterclaimant Lasting Impression I, Inc. and MCN International, Inc. will and do hereby present their motion for summary adjudication of issues in its favor and against plaintiff and counterdefendant KP Permanent Make-Up, Inc. As further explained in this Notice, the cumulative result of this motion also seeks the complete adjudication of plaintiff's Complaint.

This motion is made pursuant to Rule 56 of the Federal Rules of Civil Procedure on the grounds that there is no triable issue as to any material fact and said Movant is entitled to summary adjudication of issues as stated herein below in Issue Nos. 1 through 5.

The issues that are the subject of this motion for summary adjudication of issues are stated as follows:

Issue No. 1:

Plaintiff /Counterdefendant K.P. Permanent Make-Up, Inc.'s ("KP") sixth affirmative defense to the counterclaim has no merit because KP cannot satisfy an essential element of the "prior use" defense (15 U.S.C. § 1065) that KP had acquired trademark rights for KP's phrase "microcolor" under state law prior to the date of Lasting's incontestable registration.

Issue No. 2 :

KP's seventh affirmative defense to the counterclaim has no merit because KP cannot

satisfy an essential element of the "prior use" defense (15 U.S.C. § 1065) that KP had acquired trademark rights for KP's phrase "microcolor" under state law prior to the date of Lasting's incontestable registration.

Issue No. 3:

Defendant/Counterclaimant Lasting Impression I, Inc. 's "Micro Colors" trademark under U.S. Trademark Reg. No. 1,769,592 (hereinafter "Trademark") is completely textual, and not limited to the words-in-the-box composite.

Issue No. 4:

KP's fifth affirmative defense to the infringement counterclaim has no merit because KP has insufficient facts to support its defense that the phrase "microcolor" is generic.

Issue No. 5:

KP's first count for declaratory relief has no merit because KP has insufficient facts to support its claim that the phrase "microcolor" is generic.

Should the Court grant this motion as to Issue Nos. 1 and 5, then effectively, moving parties are entitled to a complete adjudication on plaintiff's single-count Complaint for declaratory relief in defendants' favor. In other words, the grant of this motion as to Issue Nos. 1 and 5 would amount to a partial summary judgment completely disposing of plaintiff's Complaint.

This motion will be based upon this (1) notice of motion and motion, (2) the memorandum of points and authorities attached hereto, (3) the accompanying separate statement of uncontroverted facts and

conclusions of law filed herewith, (4) the declarations of Darlene Story, Lin McKinstry, Lydia Leung and Charles C.H. Wu, and **Exhibits "1" through "46"** filed herewith, (5) the records and files in this action, (6) the oral argument presented at the time of the hearing of the motion, and (7) on such further oral and documentary matters as may be, properly placed before the Court.

This motion is made following the conference of counsel pursuant to Local Rule 7.4.1 which took place at various times prior to the March 15, 2001 filing of the Stipulation and Order setting the briefing schedule and hearing date on cross-motions for summary judgment/adjudication.

Respectively submitted,

CHARLES C.H. WU & ASSOCIATES
A PROFESSIONAL CORPORATION

By: CHARLES C.H. WU
Attorneys for Defendants and Counterclaimant
MCN International, Inc. and Lasting Impression I, Inc.

Dated: April 20, 2001

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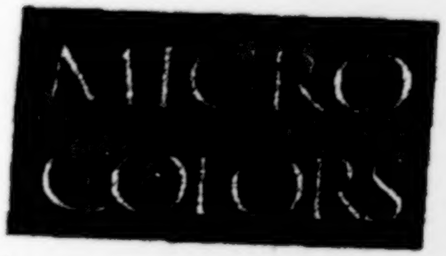
* * *

II
THE COMPETING MARKS LASTING'S REGISTERED "MICRO COLORS" VERSUS KP'S "MICROCOLOR"

On May 11, 1993, moving party Lasting obtained a trademark registration from the U.S. Patent and Trademark Office for the phrase **"Micro-Colors"** which Lasting (and co-defendant MCN International, Inc.) have since used in their sales and marketing operations to refer to their permanent make-up color pigments. (**Exhibit "1"**.)[1] (Hereinafter, said registered trademark may be referred to as the "Trademark".)

As stated in the Trademark registration, Lasting began marketing and selling permanent make-up products with the Trademark in March 1992.

The depiction of the Lasting trademark is as follows:



KP also markets and sells its own permanent make-up color pigments.

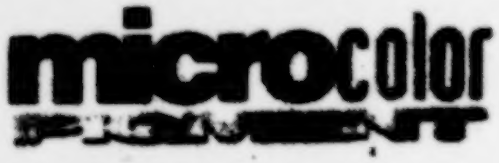
Viewing the facts in KP's best light, KP began using a "microcolor" phrase in 1990/1991 on its pigment bottling labels and in two seminar flyers. (**Exhibit "32"**, at pages **000158 - 000160** therein.)

KP's bottling labels, as used in 1990/1991, purportedly appeared in the form shown above in the Introduction section.

It should be noted that KP's labels are not from 1991. The depicted labels have been explained by KP to be its current labels that KP uses in this action to demonstrate how its labels purportedly appeared in 1991. Throughout this action, KP has not been able to produce an actual label from 1991.

KP's use of the "microcolor" term in the 1990/1991 seminar flyers was merely in its textual form, without any art or graphic designs. (**Exhibit "32"**, at pages **000159 - 000160**.)

In or about 1999, KP adopted a more stylized mark depicted as follows:



However, that mark adopted by KP in 1998/1999 should be irrelevant to the issues herein because it postdates the date of the incontestable registration date of May 11, 1998.

* * *

3. KP's "microcolor" is descriptive without a secondary meaning

First, plaintiff KP's admission that its "microcolor" phrase is descriptive precludes KP from proving the first element of the Cullman standard that it had acquired any state law trademark rights regarding the "micro color" phrase because a descriptive mark is not entitled to any trademark rights. Two Pesos, 505 U.S. at 769.

Plaintiff KP's declaration by Theresa Plante, and the deposition testimony of Theresa Plante, Kim Tran and Vanessa Plante amount to admissions that KP used the "micro color" phrase descriptively on bottling labels and seminar flyers to identify KP's pigment colors or shades. (*See* Uncontroverted Fact No. 4.)

With an admittedly descriptive "microcolor" mark, KP would have to demonstrate that its mark had acquired some valid secondary meaning in order to satisfy the Cullman standard.

But, the deposition testimony of KP's owner (Theresa) and her son (Josef) precludes any notion of a valid secondary meaning. Both Theresa and Josef Plante testified that KP did not consider "microcolor" as having any logo, brand or trademark value to KP.

Specifically, Theresa Plante and Josef Plante testified consistently at their depositions that they recognized only K.P. Permanent Make-up, Giantsun, Mylo and an eye-logo type of design as logos, brands or marks associated with KP. "Microcolor" was not listed as one. (Theresa Plante depos. at 128:1 thru 133:9, at **Exhibit "34"**; Josef Plante depos. at 39:23 thru 44:21, at **Exhibit "35"**.)

As a result, KP had no protectable trademark rights in its "microcolor" phrase so that KP cannot satisfy the Cullman standard.

4. KP admits that "microcolor" is not one of its trademarks or other proprietary assets

A **Second** reason for invalidating KP's claim is because KP admits that "microcolor" is not one of its trademarks.

As presented above and in Lasting's Uncontroverted Fact No. 5, KP makes no claim to "microcolor" as a trademark.

KP freely listed "KP Permanent Make-Up", "Giantsun", "Mylo" and an eye logo as claimed marks or brand names, but KP did not make a similar claim as to "microcolor". (Theresa Plante depos., at 129:1 thru 133:9; Josef Plante depos. vol. 1, at 40:14-21, 42:9 thru 44:22.)

According to Josef Plante, KP uses "K.P. Permanent Make-up" as its brand name for its permanent make up products, which would include the pigments, needles and other accessories. (Josef Plante depos. vol. 1, at 43:25 thru 44:11.)

If "microcolor" is not a trademark for KP, then a *fortiori* KP cannot satisfy the Cullman standard that it has acquired the requisite trademark rights to invoke the prior use rule.

5. KP's "microcolor" mark is functional; hence not capable of trademark protections

Aside from the above discussion of the consequence of a descriptive mark, the fact KP's "microcolor" phrase is "functional" further prohibits the acquisition of any trademark rights for that phrase.

"Trademark or trade dress protection extends only to product features that are nonfunctional." Disc Golf Ass'n, Inc. v. Champ on Discs, Inc., 158 F. 3d 1002, 1006 (9th Cir. 1998) .

As described by the Ninth Circuit, functional features of a products are those that provide actual benefits, as distinguished from a feature that provide an assurance that a particular entity made, sponsored, or endorsed a product. Id.

The gist of the rule is that a functional mark cannot be trademarked.

Applying that rule here, if KP's "microcolor" phrase is a functional phrase, then it could never be trademarked. And, as a further result, with no trademark, KP cannot satisfy the Cullman standard to prove any senior use.

Here, for example with the bottling label (**Exhibit "32"**, at page 000158), KP uses the "microcolor" phrase as an identifier to explain to the customer the particular pigment color or shade of the permanent make up pigment within the bottle to which the label is affixed. In such an illustration, the words "microcolor: green" on the label tells the customer that the pigment in the bottle is green in color. Hence, KP's use of the "microcolor" phrase is entirely functional.

Further, KP's use of the "microcolor" phrase in its seminar flyers was also functional. (**Exhibit "32"**, at pages 000159 - 000160.)

One cannot reasonably glean from KP's "microcolor" phrase that it is being used as a brand

name for association with KP as the producer or maker of the pigment.

* * *

FOOTNOTES

[1] All Exhibits so referenced in this motion are to those Exhibits provided with the accompanying Declarations filed herewith.

DECLARATION OF DARLENE STORY

I, Darlene Story, declare as follows:

1. The facts set forth in this declaration are personally known to me and I have first hand knowledge of these facts. If called upon to testify during the court of this action, I could and would competently testify thereto under oath. I am the founder of defendant/counter-claimant Lasting Impression I, Inc. ("Lasting") in this action. I am the president of Lasting.

2. I give this declaration to support Lasting's and MCN International, Inc.'s motion for summary adjudication of issues against plaintiff K.P. Permanent Make-Up, Inc. ("KP").

3. The subject of this lawsuit is Lasting's "micro colors" trademark which is registered with the U.S. Patent and Trademark Office as Reg. No. 1,769,592 (hereinafter "Trademark"). (A true copy of said registration is attached hereto as **Exhibit "1"**.) Lasting uses said Trademark primarily within the permanent make up industry.

I
A BRIEF DESCRIPTION OF THE PERMANENT MAKEUP INDUSTRY

4. Lasting is in the business of permanent make up, which has been called micropigmentation, dermapigmentation and intradermal pigmentation. Basically, said terms identify a cosmetics practice of implanting color pigments into the skin to achieve the result of permanent make. I once gave an explanation in 1993 which is equally applicable now and quoted as follows:

"Micropigmentation,the implantation of an inert iron oxide pigment into the dermis, offers new options and hope for countless individuals. Its popularity has been fueled by its cosmetic uses as an eye liner, eyebrow enhancer and lip liner. However, the medical community has also used micropigmentation to enhance the final results in breast reconstruction, scar revision, burns, vitiligo, tumor markers and other cases of pigmentary disorder."

(A true copy of the pertinent excerpt from the January/February 1993 issue of *Skin Inc.* is attached hereto as **Exhibit "2"** which displays an article that I co-authored with my husband.)

5. Lasting and KP are direct competitors in the field of permanent make-up. Based on knowledge I acquired by reviewing KP's catalogues and price lists, and having seen KP's products at trade shows and elsewhere, both Lasting and KP offer similar products to the same types of customers. Both Lasting and KP have developed respective pigments that we separately market with the use of color charts. I am aware of other competitors in the trade but, as far as I know to date, none of the other competitors use Lasting's registered "micro colors" mark.

II
LASTING'S "MICRO COLORS" TRADEMARK AND ITS MARKETING OF ITS PRODUCTS

6. On May 11, 1993, defendant/counterclaimant Lasting received the grant of its application for its trademark for "micro colors," in the Principal Register of the United States Patent and Trademark Office, bearing registration number

1,769,592. (A true copy of said registration is attached hereto as **Exhibit"1"**.)

7. Lasting uses said trademark to identify its pigments for permanent make-up use.

8. A true copy of a sample color chart of Lasting's color pigments is attached hereto as **Exhibit "3"**. The color chart advertises most of over 80 shades of "micro colors" pigments that can match over 300 skin tones.

9. A true copy of sample labels and materials used by Lasting for its "micro colors" products is attached hereto as **Exhibit "4"**.

10. As stated in the registration, Lasting' s first use of the mark was on March 16, 1992, and its first use of the mark in commerce occurred on April 10, 1992. **(Exhibit "1".)**

11. Indeed, in 1992, Lasting commenced advertising the "micro colors" mark with advertisements in successive issues of the *Skin Inc.* periodical. (True copies of said advertisements are attached collectively hereto as **Exhibit "5"**.)

12. In 1993/1994, Lasting awarded to co-defendant MCN an exclusive international distributorship to market and sell "micro colors" products in the aesthetics and beauty portion of the permanent make up industry. Lasting reserved to itself the medical portion of the industry. Recall that permanent make-up has both medical and aesthetic applications. By and large, that is how Lasting and MCN divided their marketing and sales boundaries.

13. Lasting and MCN sometimes use the "micro colors" Trademark in a textual form without the composite graphics or design as literally shown on the trademark registration that is **Exhibit "1"**. In such instances, Lasting and MCN would use and does use the circle-R or ® symbol following the "micro colors" words. (Attached hereto as **Exhibit "4"** are copies of excerpts from catalogues and user booklets of Lasting and MCN products demonstrating use of the circle-R or ® symbol.)

14. Lasting has been continuously using the "Micro Colors" Trademark in commerce in association with its products ever since the 1st use date of March 16, 1992. The "Micro colors" trademark was issued on May 11, 1993 by the U.S. Patent and Trademark Office. Five years after May 11, 1993, pursuant to 11 U.S.C. § 1065, the "Micro colors" trademark achieved incontestability status. Attached hereto as **Exhibit "6"** is a copy of the Section 8 and 15 affidavit executed by me and approved by the U.S. Patent and Trademark Office.

III

OTHER COMPETITORS DO NOT USE "MICRO COLORS" OR "MICROCOLOR" FOR ASSOCIATION TO PIGNENTS

15. In addition to Lin McKinstry's efforts, I too have monitored the competition in the permanent make up industry to be diligent. I have attended countless trade shows, I have participated as a speaker at the trade shows, have otherwise kept current with research and other advancements in the trade. I have reviewed Ms. McKinstry's accompanying declaration in which she has identified over 20 competitors who sell permanent make up pigments without using the "micro colors" term, and I concur in those observations. In the interest of not duplicating Ms. McKinstry's testimony, I would defer to her declaration in this regard in support of the subject motion.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on April 20, 2001 at Englewood, New Jersey.

Darlene Story

DECLARATION OF LIN McKINSTRY

I, Lin McKinstry, declare as follows:

1. The facts set forth in this declaration are personally known to me and I have first hand knowledge of these facts. If called upon to testify during the court of this action, I could and would competently testify thereto under oath. I am the president of MCN International ("MCN").

2. I give this declaration to support MCN's and Lasting Impression I, Inc.'s motion for summary adjudication of issues against plaintiff K. P. Permanent Make-Up, Inc. ("KP").

3. In 1993/1994, MCN received from Lasting an exclusive international distributorship to market and sell "micro colors" products in the aesthetics and beauty portion of the permanent make up industry. There is a medical side to the permanent make up industry, but MCN does not do business in that sector.

4. Since MCN acquired said distributorship, I have continuously and aggressively marketed and promoted the Mei Cha and "micro colors" product lines. It bears noting that MCN does not have any clinics for the actual application of the permanent make up products to the ultimate user/customer. MCN only sells the products and equipment. MCN relies on clinics and beauticians to select and use its products.

5. While engaged in furthering the business of MCN, I have also monitored the activities of MCN's competitors, including plaintiff KP. I give this declaration based on my personal involvement and supervision in virtually every aspect of MCN's business.

I

OTHER COMPETITORS DO NOT USE "MICRO COLORS" OR "MICROCOLOR" FOR PIGMENTS

6. Plaintiff KP directly competes with MCN and Lasting in the field of permanent make-up. Based on knowledge I acquired by reviewing KP's catalogues and price lists, and having seen KP's products at trade shows and elsewhere, both MCN and KP offer similar products to the same types of customers. Both MCN and KP have developed respective pigments that we separately market with the use of color charts. I am aware of other competitors in the trade but, as far as I know to date, none of the other competitors use Lasting's registered "micro colors" mark.

7. I have attended hundreds of trade shows regarding skin and cosmetics care and products, and have consistently collected advertisements, price lists and "hand-outs" from competitors and others in the trade, especially those who also attend the trade shows. I attend the conventions that are organized by the International Congress of Esthetics, as well as the conventions that MCN has itself sponsored. I also keep up with the various trade periodicals that publish advertisements and articles concerning permanent make up. Furthermore, I also simply receive information in the mail from companies that seem to mass-mail their information to those of us in the permanent make up industry.

8. I have researched how other competitors in the permanent make up business market or advertise their make up pigments. Other than plaintiff KP, I have found no other company that uses the phrase "micro colors" or "microcolor" to market permanent make up pigments.

9. Identified below are various competitors along with a brief description of how they respectively market their permanent make up pigments:

(1) A 1992-93 price list for Solutions For Beauty advertised its permanent make up colors as "Permanent Cosmetic Color"'. (A true copy of said price list is attached hereto as **Exhibit "8"**.)

(2) A 1993 price list for Acti-Color advertised its permanent make up colors as "pigments"'. (A true copy of said price list is attached hereto as **Exhibit "9"**.)

(3) A 1993 price list for United Tattoo Supply advertised its permanent make up colors as "cosmetic colors" and "United creamy pre-mix colors". (A true copy of said price list is attached hereto as **Exhibit "10"**.)

(4) A 1994 price list for the Institut Americain de DermoPigmentation advertised its pigments as "liquid/cream pigments". (A true copy of said price list is attached hereto as **Exhibit "11"**.)

(5) A price list for Mei Beauty Products, Inc. (from a 1997 trade show) advertised its pigments and color chart for "Mosty colors". (A true copy of said price list/color chart is attached hereto as **Exhibit "12"**.)

(6) A price list for Permanent Make-Up, Inc. (dated October 1, 1997) advertised its colors simply as "non-toxic pigment". (A true copy of said price list is attached hereto as **Exhibit "13"**.)

(7) The Academy of Electrology advertised its permanent make up colors as "Sof Tap Permanent Cosmetics" in 1997. (A true copy of said ad is attached hereto as **Exhibit "14"**.)

(8) A June 1999 price list for Charme International advertised 42 different shades of "MegaColors pigments". (A true copy of said price list is attached hereto as **Exhibit "15"**.)

(9) An undated price list for Cleo Colors advertised its "Cleo Color pigments". (A true copy of said price list is attached hereto as **Exhibit "16"**.)

(10) An undated color chart for Premier Products advertised its "mixing colors", "correctional colors", "camouflage colors", among others. (A true copy of said color chart is attached hereto as **Exhibit "17"**.)

(11) An undated price list for Tri-Lab Products advertised its "Designer Series Colours". (A true copy of said price list is attached hereto as **Exhibit "18"**.)

(12) An undated price list for Spaulding-Rogers Mfg., Inc. advertised its "Cosmetic Colors" and "Tattoo Colors". (A true copy of said price list is attached hereto as **Exhibit "19"**.)

(13) An undated price list for Permanent Choices advertised its color chart and price list for "Permanent Choices Pigments" and "permanent makeup colors". (A true copy of said price list/color chart is attached hereto as **Exhibit "20"**.)

(14) An undated advertisement for Silver Needles Products & Services, Inc. advertised its "Rainbow Colors" created by Rainbow Pigment Colors, Inc. (True copies of said advertisement and the related price list are attached hereto as **Exhibit "21"**.)

(15) An undated catalog for Derma-Medical Institute advertised its colors as "Derma Medical Colors". (A true copy of excerpts of said catalog is attached hereto as **Exhibit "22"**.)

(16) An undated price list for Forever Natural advertised its colors as "premixed cosmetic pigments". (A true copy of said price list is attached hereto as **Exhibit "23"**.)

(17) An undated price list for Forever More Permanent Cosmetics Inc. advertised its colors simply as "liquid pigments". (A true copy of said price list is attached hereto as **Exhibit "24"**.)

(18) Mary's Permanent Make-up advertised its color chart simply as a "color chart". (A true copy of said price list is attached hereto as **Exhibit "25"**.)

(19) A price list for Paradise Permanent Make-up advertised its colors simply as "pigments". (A true copy of said price list is attached hereto as **Exhibit "26"**.)

(20) A color chart for Boca Ta-2 advertised its colors simply as "pigments". (A true copy of said color chart is attached hereto as **Exhibit "27"**.)

II
INDUSTRY RECOGNIZES AND ASSOCIATES THE "MICRO COLORS" TRADEMARK WITH LASTING AND MCN

10. In the 2000 Directory issue or the April 2000 issue of *Skin, Inc.*, the magazine published a list called "Brand Name Cross-reference"'. (True copies of excerpts of said magazine are attached hereto as **Exhibit "28"**.) That reference list identifies the "micro colors" brand as belonging to Lasting and MCN:

Brand Name	Company Name
Micro-Color Pigments	Lasting Impression I
Micro-Colors	MCN International

Skin, Inc. is a widely respected trade journal for the beauty or esthetics industry, and I suspect that any company in the trade subscribes to it or should subscribe to it.

11. As the *Skin, Inc.* reference list shows, no other company is recognized as a user of the "micro colors" mark, except far Lasting and MCN.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on April 19th, 2001 at Irvine, California.

Lin McKinstry

DECLARATION OF LYDIA LEUNG (EXPERT)

I, Lydia Leung, declare as follows:

1. The facts set forth in this declaration are personally known to me and I have first hand knowledge of these facts. If called upon to testify during the court of this action, I could and would competently testify thereto under oath. I am not a party to this lawsuit.

2. I give this declaration to provide expert witness testimony in support of Lasting Impression I, Inc.'s motion for summary adjudication against plaintiff K.P. Permanent Make-Up, Inc. ("KP").

3. I am the president and the CEO of Tinny Beauty International, Inc.

4. The permanent make up industry essentially revolves around the micropigmentation process by which colored pigments are inserted into the facial skin to achieve a permanent form of cosmetic make up.

5. I have been employed or consulted within the permanent make up industry since 1978. I am also certified as a permanent make up technician, and as such, I have performed many procedures upon clients by which I have successfully applied permanent make up color pigments to the facial skin of said clients.

6. Among my experience and activities within the industry, I have attended countless beauty trade shows that include the permanent make up trade and merchants such as the parties in this lawsuit. Also, I have for the past many years continuously subscribed to the various beauty trade journals, which I have read to keep current with events and happenings within the permanent make up industry.

7. I understand that in this lawsuit, KP makes the contention that the phrase "micro colors" or "microcolor" is commonly used within the permanent make up industry to refer to the pigments utilized in the micropigmentation process. In my expert opinion, that assertion is not true. In my experience, and through my contacts within the permanent make up industry, the "micro colors" or "microcolor" phrases are not commonly used as standard or generic names for the permanent make up pigments. I do not use such phrases in the manner as asserted by KP.

8. In my many years of participating in the permanent make up business, and having interacted and communicated with various members of the permanent make up business, I have personally observed and have come to the expert opinion that the "microcolor" or "micro colors" phrases refer to a brand name or trademark belonging to Lasting and MCN for their permanent make up color pigments.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on April 19th, 2001 at Flushing, New York.

Lydia Leung

CASE NO: SA-CV-00-276-GLT (EEx)

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
SOUTHERN DIVISION – SANTA ANA

K.P. PERMANENT MAKE-UP, INC.,
Plaintiff,

vs.

LASTING IMPRESSION, INC. and MCN
INTERNATIONAL, INC.,
Defendants.

LASTING IMPRESSION I, INC.,
Counterclaimant,

vs.

K.P. PERMANENT MAKE-UP, INC.; and
ROES 1 through 10, inclusive;
Counter-Defendants.

LASTING IMPRESSION I, INC.'S AND MCN INTERNATIONAL, INC.'S OPPOSITION TO K.P. PERMANENT MAKE-UP, I NC .'S MOTION FOR SUMMARY JUDGMENT/ADJUDICATION; MEMORANDUM OF POINTS AND AUTHORITIES;

Date: May 14, 2001
Time: 10:00 a.m.
Ctrm: 10D

TO ALL PARTIES AND TO THEIR ATTORNEYS OF RECORD:

PLEASE TAKE NOTICE that Defendants and counterclaimant Lasting Impression I, Inc. and MCN International, Inc. hereby present their opposition to the motion for summary judgment by plaintiff and counterdefendant K.P. Permanent Make-Up, Inc.

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* * *

IV

KP CANNOT PREVAIL ON THE "FAIR USE" DOCTRINE

KP argues the "fair use" doctrine as a defense based on its Seventh Affirmative Defense in KP's amended reply.

(Lasting's/MCN's **Exhibit "30"**.) Hence, this issue relates to Lasting's counterclaim only, and is irrelevant to KP's complaint for declaratory relief.

A. **KP is not entitled to invoke the "fair use" doctrine**

KP relies on 15 U.S.C. § 1115 (b) (4) to argue that its use of the "microcolor" phrase is a permitted fair use in defense to Lasting's counterclaim for trademark infringement.

Per Section 1115(b)(4), KP must prove that its use of the "microcolors" term "**is a use, otherwise than as a mark, . . of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party**".

At the outset, KP claims only 2 ways of using "micro color" uses: on its bottling labels since 1991, and on its new brochures since 1998/1999. (KP's motion at 15:1-5.)

Per the deposition testimony of KP's employees, KP uses the "microcolor" term on its bottling labels merely to describe the color or hue of the permanent make up pigment that is in the bottle. Deposition of Theresa Plante, at 123:2-21, 127:12-25 (**Exhibit "34"**); Deposition of Kim Tran, at 78:14 thru 79:6 (**Exhibit "36"**); Deposition of Vanessa Plante, at 44:19 thru 45:13 (**Exhibit "37"**). The key here is that KP does not use the "microcolor" phrase to refer to the pigment product, but to the shade or hue of the pigment. Such is not the intent of section 1115 (b) (4).

B. Triable issues of fact exist as to whether KP can prove a Section 1115(b)(4) defense

In any event, there is a factual dispute as to whether KP has "**fairly and in good faith**" added the 1998/1999 use of "microcolor" in its new brochures. (Theresa Plante depos. at 131:11 to 132:6, at **Exhibit "44"** filed herewith.)

Per the Opposing Declaration of Lin McKinstry ¶¶ 4-5 filed herewith, there is evidence that KP may have motives other than fairness or good faith to adopt the new "microcolor" pigment chart in 1999 to infringe upon Lasting/MCN's "Micro Colors" trademark.

V

TRIABLE ISSUES OF FACT DENIES KP A SUMMARY ADJUDICATION OF THE LIKELIHOOD OF CONFUSION

KP's section IX of its motion attempts to summarily adjudicate the lack of any likelihood of confusion as an element of Lasting's counterclaim for trademark infringement.

Likelihood of confusion invokes the 8-part test stated by the Ninth Circuit in AMF, Inc. v. Sleekcraft Boats, 599 F.2d 341, 348-349 (9th Cir. 1979).

The issue of likelihood of confusion, however, is prone to conflicting evidence that preclude the grant of summary judgment.[2] *E.g.*, Interstellar Starship Services, Ltd. v. Epix Incorporated, 184 F.3d 1107, 1110-1112 (9th Cir. 1999) (holding that 5 of the Sleekcraft factors had conflicting evidence that required a trial).

The Ninth Circuit has observed: "The Lanham Act's `likelihood of confusion' standard is predominantly factual in nature." Wendt v. Host International, Inc., 125 F. 3d 806, 812 (9th Cir. 1997) (holding that a reasonable jury could reach an opposite result on the Sleekcraft factors against summary judgment).

A. KP's motion cannot establish lack of confusion as a matter of law

Section IX of KP's motion (at pages 21-23 therein) asserts the lack of likelihood of confusion based on a comparison of the following three marks: (1) KP's "microcolor pigment chart" phrase from its 1998/1999 brochure, (2) Lasting's registered "Micro Colors" Trademark, and (3) KP's KP-and-an-eye-in-an-oval logo from KP's 1998/1999 brochure.

KP provides no legal authority or evidentiary basis for what KP is attempting to do.

Notwithstanding, it appears that KP is attempting to address one or both of the "similarity of marks" and/or "evidence of actual confusion" factors from the Sleekcraft decision. Sleekcraft, 599 F.2d at 348-349.

KP has cited to no evidentiary support for why KP believes that there is no likelihood of confusion. KP merely presents the three designs at page 22 of its motion and mutely suggests that such a presentation adequately states KP's case. Under all notions of fairness having to do with motions for summary judgment and Rule 56, KP has fallen short of satisfying its burdens as the movant.

In any event, in an abundance of caution, defendants present the Opposing Declaration of Gloria Torres filed herewith for opposing evidence that KP's "microcolor" phrase has created confusion with Lasting's "Micro Colors" Trademark. Per Ms. Torres' declaration, there had been customers who reported confusion between KP's "microcolor" and Lasting's "Micro Colors". Hence, this factual issue must be reserved for trial.

B. KP's overlooking all the *Sleekcraft* factors precludes the grant of summary judgment to KP that there cannot be of any likelihood of confusion

There is a second reason for denying summary adjudication of KP's issue that there is no likelihood of confusion: evaluation of the likelihood of confusion does not rest on just one of the 8 Sleekcraft factors.

Notable comments by the Ninth Circuit regarding the application of the Sleekcraft factors are collected as follow:

"The core element of trademark infringement is the likelihood of confusion, i.e., whether the similarity of the marks is likely to confuse customers about the source of the products. We look to the following factors for guidance in determining the likelihood of confusion: similarity of the conflicting designations; relatedness or proximity of the two companies' products or services; strength of [registrant's] mark; marketing channels used; degree of care likely to be exercised by purchasers in selecting goods; [alleged infringer's] intent in selecting its mark; evidence of actual confusion; and likelihood of expansion in product lines. These eight factors are often referred to as the Sleekcraft factors."

(Brookfield Communications, Inc. v. West Coast Entertainment Corp., 174 F. 3d 1036, 1053-1054 (9th Cir. 1999) (citations omitted).)

"A word of caution: this eight-factor test for likelihood of confusion is pliant. Some factors are much more important than others, and the relative importance of each individual factor will be case specific."

(Brookfield, 174 F.3d at 1054.)

"Nevertheless, the more similar the marks in terms of appearance, sound, and meaning, the greater the likelihood of confusion. In analyzing this factor, [t]he marks must be considered in their entirety and as they appear in the marketplace,' with similarities weighed more heavily than differences."

(Brookfield, 174 F.3d at 1054 (citations omitted).)

"Similarity of marks alone, as we have explained, does not necessarily lead to consumer confusion."

(Brookfield, 174 F.3d at 1055 (citations omitted).)

In whole, the Ninth Circuit advises that the Sleekcraft factors are factual and intertwined, not susceptible to isolated analysis as a matter of law to determine the issue confusion in the trademark infringement context.

VI
KP CANNOT SATISFY THE ""PRIOR USE" RULE

KP's section X of its motion claims the defense (to the trademark infringement counterclaim) that KP had acquired prior use of a state law trademark pursuant to 15 U.S.C. § 1065.

Among other elements, KP must prove that it had acquired trademark rights under state law prior to the date of Lasting's incontestable registration.

But, KP cannot prove the elements to establish that it was a senior user of its "microcolor" mark because "microcolor" is descriptive without any secondary meaning, and is functional. Most importantly, KP has not been treating or using its "microcolor" as a trademark. Thus, it cannot be a senior user of a phrase that is not even a trademark.

A. Allegedly, movant Lasting, the federal registrant is a junior user. The Court previously stated the legal standard requiring KP to show that it had acquired prior state law trademark rights to its "microcolor" mark

The court previously announced the legal standard governing plaintiff KP's claim that it is a senior user of its "microcolor" mark. This legal authority is codified in at 15 U.S.C. § 1065, which provides that incontestability is limited per the following pertinent quotation:

"Except on a ground for which application to cancel may be filed at any time under paragraphs (3) and (5) of section 1064 of this title, and except to the extent, if any, to which the use of a mark registered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of registration under this chapter of such registered mark, the right of the registrant to use such registered mark in commerce for the goods or services on or in connection with which such registered mark has been in continuous use for five consecutive years subsequent to the date of such registration and is still in use in commerce, shall be incontestable: Provided, That- *****

"(4) no incontestable right shall be acquired in a mark which is the generic name for the goods or services or a portion thereof, for which it is registered.

"Subject to the conditions above specified in this section, the incontestable right with reference to a mark registered under this chapter shall apply *** upon the filing of the required affidavit with the Director within one year after the expiration of any period of five consecutive years after the date of publication of a mark under the provisions of [1062(c)]."

"The Director shall notify any registrant who files the above-prescribed affidavit of the filing thereof."

The Court's January 17, 2001 Order denying Lasting's motion for a preliminary injunction included the Court's statement of the standard charged to plaintiff KP to prove a prior use defense:\

"The elements of the prior use defense are: (1) acquisition of trademark rights under state law prior to the date of the incontestable registration; (2) continuance of use of the trademark from that date; and (3) that the prior use is on goods or services which are in issue in the case and infringement is proven. Cullman Ventures, Inc. v. Columbian Art Works, Inc., 717 F. Supp. 96, 111 n.8 (S. D. N. Y. 1989) ."

(Order, at **Exhibit "33"**.) Said standard under Cullman has been consistently stated the Ninth Circuit in Casual Corner Associates, Inc. v. Casual Stores of Nevada, Inc., 493 F. 2d 709, 712 (9th Cir. 1974) .

The key element is the first element from the Cullman standard.

B. KP cannot demonstrate that it had acquired prior state law trademark rights to its "microcolor" mark

There are two reasons for finding that KP cannot satisfy the first element of the Cullman standard as a matter of law.

At the outset, it would be prudent to lay out the governing standards that apply to evaluating the *functional* and *descriptive* nature of KP's "microcolor" mark.

1. Standards governing KP's descriptive "microcolor" mark

A trademark is defined in 15 U.S. C. § 1127 as including "any word, name, symbol, or device or any combination thereof" used by any person "to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown."

Marks are classified in categories of generally increasing distinctiveness; following this classic formulation: (1) generic, (2) descriptive, (3) suggestive, (4) arbitrary, or (5) fanciful. Two Pesos v. Taco Cabana, 505 U.S. 763, 768, 112 S.Ct. 2753, 2757 (1992).

Relevant to this motion regarding KP's purportedly senior mark, "Marks which are merely descriptive of a product are not inherently distinctive. When used to describe a product, they do not inherently identify a particular source, and hence cannot be protected. However, descriptive marks may acquire the distinctiveness which will allow them to be protected.... Section 2 of the Lanham Act provides that a descriptive mark that otherwise could not be registered under the Act may be registered if it `has become distinctive of the applicant's goods in commerce.' *** This acquired distinctiveness is generally called `secondary meaning'." Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 769, 112 S.Ct. 2753, 2757-58 (1992) (citations omitted).

In other words, a "trademark that is descriptive and lacks secondary meaning is invalid." Self-Realization Fellowship Church v. Ananda Churck of Self-Realization, 59 F.3d 902, 910 (9th Cir. 1995).

Addressing the notion of how the "secondary meaning" doctrine operates, Justice Frankfurter of the U.S. Supreme Court stated:

> "The protection of trademarks is the law's recognition of the psychological function of symbols. If it is true that we live by symbols, it is no less true that we purchase goods by them . . . The owner of a mark exploits this human propensity by making every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol . . . If another poaches upon the commercial magnetism of the symbol he has created, the owner can obtain legal redress."

Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co., 316 U.S. 203, 205, 62 S.Ct. 1022, 1024 (1942).

So, consistent with the above authorities, the Ninth Circuit follows the standard that a "descriptive term can be protected provided that it has acquired `secondary meaning' in the minds of consumers, i.e., it has `become distinctive of the [trademark] applicant's goods in commerce."' Filipino Yellow Pages, Inc. v. Asian Journal Publications, Inc., 198 F. 3d 1143, 1147 (9th Cir. 1999).

2. The State law trademark standards from California, New York, Texas and Florida where KP claims to have conducted commerce with its "microcolor" phrase

Per the October 4, 2000 declaration of Theresa Plante at 996 (**Exhibit "32"**, at page 000154) and the deposition testimony of Ms. Plante (**Exhibit "34"**, at 126:21 thru 127:11), she confirms that KP has conducted its permanent make up business in the states of California, New York, Texas, and Florida.

As shown below, the trademark laws of said states consistently prohibit the recognition of any descriptive mark as a trademark.

(a) California

California Bus. & Prof. Code § 14207 recognizes that a trademark may be derived from "any word, name, symbol or device or any combination thereof adopted and used by a person to identify goods made or sold by him and to distinguish them from goods made or sold by others."

Per section 14220 (e) a descriptive term cannot be registered as a trademark.

(b) New York

New York's trademark law, at N.Y. General Business § 360 (a), uses a definition similar to that in Calif. Bus. & Prof. Code § 14207 to describe a trademark (see **Exhibit "38"**):

A trademark may use "any word, name, symbol or device or any combination thereof used by a person to identify and distinguish the goods of such person, including a unique product, from those manufactured and sold by others, and to indicate the source of the goods, even if that source is unknown."

Also, N.Y. General Business § 360-a (e), uses a definition identical to that in Calif. Bus. & Prof. Code § 14220 (a) to prohibit the registration of a descriptive trademark.

(c) Texas

Similarly, Texas Business & Commerce Code § 16.01(5) recognizes that a trademark means "any word, name, symbol, device, slogan or any combination thereof which, whether registered or not, has been adopted and used by a person to identify his goods and distinguish them from the goods manufactured or sold by others." (See **Exhibit "39"**.)

Likewise, per section 16.08 (a) (5) (A), a trademark cannot be descriptive.

(d) Florida

Florida's 2000 Florida Statutes § 495.011(1) also recognizes that a trademark may use "any word, name, symbol, character, design, drawing or device or any combination thereof adopted and used by a person to identify goods made or sold by her or him and to distinguish them from goods made or sold by others." (See **Exhibit "40"**.)

Per section 495.021(e)(1), a trademark cannot be descriptive.

3. KP's "microcolor" is descriptive without a secondary meaning

First, plaintiff KP's admission that its "microcolor" phrase is descriptive precludes KP from proving the first element of the Cullman standard that it had acquired any state law trademark rights regarding the "micro color" phrase because a descriptive mark is not entitled to any trademark rights. Two Pesos, 505 U.S. at 769.

Plaintiff KP's declaration by Theresa Plante, and the deposition testimony of Theresa Plante, Kim Tran and Vanessa Plante amount to admissions that KP used the "micro color" phrase descriptively on bottling labels and seminar flyers to identify KP's pigment colors or shades. (See Uncontroverted Fact No. 4.)

With an admittedly descriptive "microcolor" mark, KP would have to demonstrate that its mark had acquired some valid secondary meaning in order to satisfy the Cullman standard.

But, the deposition testimony of KP's owner (Theresa) and her son (Josef) precludes any notion of a valid secondary meaning. Both Theresa and Josef Plante testified that KP did not consider "microcolor" as having any logo, brand or trademark value to KP.

Specifically, Theresa Plante and Josef Plante testified consistently at their depositions that they recognized only K.P. Permanent Make-up, Giantsun, Mylo and an eye-logo type of design as logos, brands or marks associated with KP. "Microcolor" was not listed as one. (Theresa Plante depos. at 128:1 thru 133:9, at **Exhibit "34"**; Josef Plante depos. at 39:23 thru 44:21, at **Exhibit "35"**.)

As a result, KP had no protectable trademark rights in its "microcolor" phrase so that KP cannot satisfy the Cullman standard.

4. KP admits that "microcolor" is not one of its trademarks or other proprietary assets

A **Second** reason for invalidating KP's claim is because KP admits that "microcolor" is not one of its trademarks.

As presented above and in Lasting's Uncontroverted Fact No. 5, KP makes no claim to "microcolor" as a trademark.

KP freely listed "KP Permanent Make-Up", "Giantsun", "Mylo" and an eye logo as claimed marks or brand names, but KP did not make a similar claim as to "microcolor". (Theresa Plante depos., at 129:1 thru 133:9; Josef Plante depos. vol. 1, at 40:14-21, 42:9 thru 44:22.)

According to Josef Plante, KP uses "K.P. Permanent Make-up" as its brand name for its permanent make up products, which would include the pigments, needles and other accessories. (Josef Plante depos. vol. 1, at 43:25 thru 44:11, at **Exhibit "35"**.)

If "microcolor" is not a trademark for KP, then a *fortiori* KP cannot satisfy the Cullman standard that it has acquired the requisite trademark rights to invoke the prior use rule.

5. KP's "microcolor" phrase is functional; hence not capable of trademark protections so that it cannot be senior user

Aside from the above discussion of the consequence of a descriptive mark, the fact that KP's "microcolor" phrase is "functional" further prohibits the acquisition of any trademark rights for that phrase.

"Trademark or trade dress protection extends only to product features that are nonfunctional." Disc Golf Ass'n, Inc. v. Champion Discs, Inc., 158 F. 3d 1002, 1006 (9th Cir. 1998).

As described by the Ninth Circuit, functional features of a products are those that provide actual benefits, as distinguished from a feature that provide an assurance that a particular entity made, sponsored, or endorsed a product. Id.

The gist of the rule is that a functional mark cannot be trademarked.

Applying that rule here, if KP's "microcolor" phrase is a functional phrase, then it could never be trademarked. And, as a further result, with no trademark, KP cannot satisfy the Cullman standard to prove any senior use.

Here, for example with the bottling label (**Exhibit "32"**, at page 000158), KP uses the "microcolor" phrase as an identifier to explain to the customer the

particular pigment color or shade of the permanent make up pigment within the bottle to which the label is affixed. In such an illustration, the words "microcolor: green" on the label tells the customer that the pigment in the bottle is green in color. Hence, KP's use of the "microcolor" phrase is entirely functional.

Further, KP's use of the "microcolor" phrase in its seminar flyers was also functional. (**Exhibit "32"**, at pages 000159 - 000160.)

One cannot reasonably glean from KP's "microcolor" phrase that it is being used as a brand name for association with KP as the producer or maker of the pigment.

WHEREFORE, it is respectfully requested that the Court deny the motion for summary judgment by K.P. Permanent Make-Up, Inc.

Respectfully submitted,

CHARLES C.H. WU & ASSOCIATES
A PROFESSIONAL CORPORATION

By: CHARLES C.H. WU
Attorneys for Defendants and Counterclaimant
MCN International, Inc. and Lasting Impression I, Inc.

Dated: April 30, 2001

FOOTNOTES

[2] Defendants Lasting and MCN recognize the factual nature of the trademark infringement issues within Lasting's counterclaim. As a result, Lasting's cross-motion does not involve its trademark infringement

counterclaim. Instead, the cross-motion by Lasting and MCN only addresses KP's complaint for declaratory relief and KP's affirmative defenses to Lasting's counterclaim.

DECLARATION OF DARLENE STORY

I, Darlene Story, declare as follows:

1. The facts set forth in this declaration are personally known to me and I have first hand knowledge of these facts. If called upon to testify during the court of this action, I could and would competently testify thereto under oath. I am the founder of defendant/counter-claimant Lasting Impression I, Inc. ("Lasting") in this action. I am the president of Lasting.

2. I give this declaration to support Lasting's and MCN International, Inc.'s ("MCN") opposition to the motion for summary judgment by plaintiff K.P. Permanent Make-Up, Inc. ("KP").

3. At my February 23, 2001 deposition, KP's counsel, Michael Machat, asked me whether pigments and colors mean the same, and I said yes. As I understood Attorney Machat, I meant my answer to mean that "pigment", and sometimes "color", are used in the permanent make up field to refer to the pigments that are injected into the skin in the micropigmentation process. Mostly, it is "pigment". "Color" is used primarily to refer to the shade or hue of the pigment. But, in the context of the permanent make up procedure, it is possible for someone to use the word "color" to convey the meaning of "pigment" although "color" is not often used that way. That is why I said "Yes, but not often" at page 35, line 14 of my deposition transcript.

4. I disagree with KP that it is using the "microcolor" phrase fairly and descriptively to refer to its goods or services. As KP states, it uses that phrase on its bottling labels and in a new 1998/1999 brochure of its color charts. Said bottling labels of KP are presented in Lasting/MCN's **Exhibit "32", at page 000158** to their cross-motion. Per KP's labels, it used the "microcolors" term to identify the pigment shade of the contents of the bottle; i.e., "microcolor: green" or "microcolor: pink". The *descriptive* nature of the "microcolor" phrase is not to identify the goods or services, but rather to identify a color hue. In other words, "microcolor" is not used to identify the permanent make up pigment as a good, but is used synonymously with "hue" or "color" as a user would understand it.

5. Further, KP's new brochures from 1998/1999 with its new color chart name of "microcolor pigment chart" is far from a fair use. At the outset, the new "microcolor pigment chart" phrase is displayed at page 22, lines 4-8 of KP's motion. The reason why KP's late adoption of "microcolor" to identify its permanent make up pigment chart is NOT FAIR, is because (1) KP had prior knowledge of Lasting/MCN's existing usage of the "micro color" trademark, and (2) KP was trying to get back at Lasting and MCN for the consent decree result of the patent infringement litigation in Mei-Chi-Na Beauty International, Inc. v. Theresa Kim dba Kim's Paradise, aka K.P. Permanent Make-Up and Skin Care, Case No. SACV 96-1155 AHS (Eex) in this very Court.

Per Theresa Plante's deposition at page 98, line 6 through page 99, line 1, she testified that she was aware in **1995** that MCN was using the "microcolor" phrase because she saw MCN's product magazine. Hence, KP's development of its new "microcolor" chart in 1998/1999 was with prior knowledge that MCN was using the "Micro Colors" trademark.

With regard to the patent infringement litigation, I defer to the declaration of Lin McKinstry as that matter concerns MCN.

6. I also deny that Lasting or myself have used the "Micro Colors" trademark generically as KP contends in its motion.

KP contends that the statement: "**Beware: Micro-Colors® Pigment is the first and only Micro-Colors available by MCN**" involves a generic use. I disagree. The phrase reinforces that my company, Lasting, has a line of products bearing the "Micro-Colors" brand, and that the pigments are the first of such products.

KP contends that the statement: "**The Company uses 44 different Micro-Colors**" involves a generic use. I also disagree. The phrase appears in an article that I co-authored, and attached to KP's motion as Exhibit "N". In the paragraph that precedes that statement in the article, I abbreviated "Lasting Impression I pigments" as "Micro Colors". Also, at the time the article was published in January 1993, the trademark was not yet approved and registered until May 11, 1993. In any event, in the context of the article, I was saying that Lasting had 44 different shades of pigments for which I had pending an application to register with a "Micro Colors" trademark.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on April 30, 2001 at Englewood New Jersey.

Darlene Story

DECLARATION OF LIN McKINSTRY

I, Lin McKinstry, declare as follows:

1. The facts set forth in this declaration are personally known to me and I have first hand knowledge of these facts. If called upon to testify during the court of this action, I could and would competently testify thereto under oath. I am the president of MCN International ("MCN").

2. I give this declaration to support MCN's and Lasting Impression I, Inc.'s ("Lasting") opposition to the motion for summary judgment by plaintiff K.P. Permanent Make-Up,Inc. ("KP").

3. I disagree with KP that "micro pigment color" and "micro color pigment" are synonyms.

"Micro pigment color" refers to the hue or shade of a pigment. The phrase refers to the "color" of the permanent make up pigment.

"Micro color pigment" is a variation on Lasting/MCN's trademark of "Micro Color" pigments. The phrase refers to one of the pigments in Lasting/MCN's "Micro Color" brand line of products. Hence, these two terms are not synonymous.

4. On November 22, 1996, MCN sued plaintiff KP for patent infringement in the matter entitled Mei-Chi-Na Beauty International Inc. v. Theresa Kim dba Kim's Paradise, aka K.P. Permanent Make-Up and Skin Care, as Case No. SACV 96-1155 AHS (Eex) in this very Court. The parties entered into a Stipulated Consent Judgment by which KP acknowledged that it had committed patent infringement. (True copies of said Complaint and Stipulation are attached hereto as **Exhibits "42" and "43"**.) Since the resolution of that prior lawsuit, and based on the "small world" nature of the permanent make up industry, and because KP and MCN are located within the Southern California market, I have developed strong beliefs that KP has held a grudge against MCN.

5. Indicators of KP's grudge include the following two examples: **(1)** Theresa Plante, the principal owner of KP, testified at her deposition with her accusation that MCN "stole" KP's exhibitor booth at trade shows (*see* Theresa Plante depos. at page 114, line 16-17) ; and **(2)** KP has further filed a new lawsuit on March 21, 2001 in the matter of Theresa Kim Plante and K.P. Permanent Make-Up, Inc. v. MCN International, Inc., Kuei Chou and Lin McKinstry, Case No. 01-02623 WMB (Ex) in an effort to invalidate the consent decree in the above-referenced Mei-Chi-Na case. This new lawsuit promises to keep KP and MCN in further legal entanglement for years to come. (Copies of the excerpt of the Theresa Plante deposition, and said Complaint are attached hereto respectively as **Exhibits "44" and "45"**.)

6. I further would like to respond to KP's attempt to relate different terms used in the permanent make up field. In my experience within the permanent makeup industry, I have not observed or encountered any belief or actual usage by me or others within the industry that "micro color" is an abbreviation for "micro pigment color".

7. Actually, KP's attempt to equate the two phrases is confusing. I am more familiar with "micro colors" as a brand name belonging to Lasting and MCN as used on their products.

8. Further, and within the permanent make up context, I understand "micro pigment color" to mean an attempt to refer to the shade or hue of a permanent make up pigment.

9. Part of the above analysis is based on "pigment" and "color" not being synonyms. Within the permanent makeup context, "pigment" means the actual tangible pigment liquid to be injected into the skin, and "color" refers to the shade or hue of the pigment liquid. The two words are used differently.

10. Additionally, I disagree with KP's argument that MCN and KP are competitors in the field of micropigmentation. The more appropriate term should be the field of permanent make-up.

11. "Micropigmentation" is a term used primarily in the medical field, having originated in that field in late 1980s. The usage of the "micropigmentation" word was not popular in the permanent make-up field until 1996 when our company MCN started a series of conferences entitled; "Micropigmentation Conference". Due to MCN's conferences, the word "micropigmentation" became more prevalent in the permanent make-up field. Before then, companies rarely used the term "micropigmentation". Instead, in the cosmetics/beauty field where MCN and KP have conducted our respective business, the more common term has been permanent make-up.

12. Lastly, plaintiff Theresa Plante alleges in her moving declaration that MCN has copied the model number of P-5000 from the plaintiff (Decl of Theresa Plante, para. 21). The model number for our Platinum 5000 machine is called MC-5000 and not P-5000. Additionally, responding to Ms. Plante's allegation that

MCN has copied plaintiff's pigment color nomenclature of Red1, Red2, etc., that nomenclature was invented by co-defendant Darlene Story of Lasting Impression I, Inc.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on April 30, 2001 at Irvine, California.

Lin McKinstry

DECLARATION OF GLORIA TORRES

I, Gloria Torres, declare as follows:

1. The facts set forth in this declaration are personally known to me and I have first hand knowledge of these facts. If called upon to testify during the court of this action, I could and would competently testify thereto under oath. I am employed in the sales department of MCN International ("MCN").

2. I give this declaration to support MCN's and Lasting Impression I, Inc.'s ("Lasting"') opposition to the motion for summary judgment by plaintiff K.P. Permanent Make-Up, Inc. ("KP").

3. I have worked with MCN since March 1, 1994. My responsibilities are primarily with international sales. However, in the MCN office, I have often handled sales calls for domestic sales as well. Also, I have attended trade shows on behalf of MCN.

4. I have always during my employment with MCN been aware that MCN carries a "Micro Colors" brand of permanent make up pigments.

5. In 1998/1999, I began receiving calls from prospective customers who seem confused by MCN's "micro colors". At the time of the calls, I was not aware that there was any other permanent make up company that also used "micro colors" as a marketing phrase or tool. Therefore, the confusion expressed by such callers seemed odd to me. Such callers were asking about "Micro Colors" products with which they seemed to be familiar yet the callers did not show on MCN's customer base list and my price quotes were much different from the price that the callers had previously paid. Only now, with knowledge of this lawsuit with K.P. Permanent Make-up, Inc. do I understand that those prior callers were probably confusing MCN's "Micro Colors" pigments with something that KP was selling. Also, I have received calls from prospective customers who would ask if MCN carried KP's machines for "micro color" pigments. Further, 1 have been asked by prospective callers whether MCN's "Micro Colors" pigments and KP's "microcolor" pigments are the same products. At the time, such calls held no significance to me so I did not record these calls.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on April 30, 2001 at Irvine, California.

Gloria Torres

DECLARATION OF LIN McKINSTRY

I, Lin McKinstry, declare as follows:

1. The facts set forth in this declaration are personally known to me and I have first hand knowledge of these facts. If called upon to testify during the court of this action, I could and would competently testify thereto under oath. I am the president of MCN International, Inc. ("MCN"), one of the defendants in this matter.

2. I give this declaration in reply to the April 26, 2001 declaration by Theresa Kim Plante submitted by plaintiff K.P. Permanent Make-Up, Inc. ("KP").

3. In that declaration, Ms. Plante contends that Ms. Lydia Leung is a distributor of MCN based on a 1992 advertisement by Ms. Lydia Leung. Ms. Plante's information is not correct. If one looks closely at the product depicted in the 1992 advertisement of Ms. Lydia Leung, one would see that said product pertains to Mei-Chi-Na Hsin Yen Co. Ltd., a separate legal entity apart from MCN International, Inc.

4. In or around 1992, Mei-Cha-Na may have entered into business relationships with several vendors in the permanent make-up field, including the one that Ms. Lydia Leung may had been involved with. After the formation of MCN International, Inc. in 1992, a California corporation, Mei-Cha-Na no longer has a business relationship with anyone in the U.S. other than MCN International, Inc.

5. After the formation of MCN International, Inc. Ms. Leung is not and has never been a distributor of MCN International, Inc.

6. Additionally, at the deposition of Theresa Plante, we introduced the actual pigment bottles with bottle labels affixed thereto from the following customers or distributors of KP: Billie Smith, Melissa Murphy, Oscar Morales, and Shirley Cagley.

7. True printouts of the digital photos depicting said bottles having said subject bottle labels are attached hereto and labeled as **Exhibit "46."** The exhibit attached hereto as Exhibit "46" is also attached to the deposition transcript of Theresa Plante as Exhibit "4" and "5."

8. Said bottles having bottle labels (**Exhibit "46"**) contradict the assertion of Plaintiff that it has always been using a bottle labels having the style containing the word "microcolor." Said rebutting bottles show that only the word "color" was used instead of "microcolor." Thus, the credibility of plaintiff's assertion is at issue.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on May 7, 2001 at Irvine, California.

Lin McKinstry

DEPOSITION OF
THERESA PLANTE
[PAGE __]

sterilized?

A. (In English.) No.

MR. MACHAT: Objection. Vague.

THE WITNESS: (In English.) Any product. What product?

BY MR. WU:

Q. Well, you told me earlier you also sell needles.

A. Oh, needles, yes. Those are sterilized. Those are needles and equipment s. They are sterilized.

Q. But you're not claiming your pigments are sterilized?

A. The pigments, no. And that's also a secret I don't want to share with you.

* * *

CASE NO: SA-CV-00-276-GLT (EEx)

UNITED STATES DISTRICT COURT FOR THE
CENTRAL DISTRICT OF CALIFORNIA

K.P. PERMANENT MAKE-UP, INC.,
Plaintiff,

v.

LASTING IMPRESSION, INC. and MCN
INTERNATIONAL, INC.,
Defendants.

JUDGMENT

This Court having heard plaintiff's motion for summary judgment, hereby finds for the plaintiff and makes the following rulings

1. There exists no genuine issue of material facts in this case, and plaintiff is entitled to judgment in its behalf

2. The words "micro colors" are generic and incapable of obtaining protection under the laws of Trademarks and Unfair Comoetition.

3 Defendants do not have the exclusive use or rights to the following terms "microcolors" and "micro colors".

4. Defendants are hereby prohibited from interfering with plaintiff s use of the words "micro colors" and/or "microcolors" and/or "micro color" and/or "microcolor"

5 Plaintiff is entitled to recover its costs and attorneys fees incurred in this action.

/s/ Gary L. Taylor

United States District Court Judge

Dated: May 16, 2001

Respectfully Submitted,

By: Michael Machat
Attorney for Plaintiff
KP Permanent Make-Up, Inc.

DECLARATION OF LIN McKINSTRY

I, Lin McKinstry, declare as follows:

1. The facts set forth in this declaration are personally known to me and I have first hand knowledge of these facts. If called upon to testify during the court of this action, I could and would competently testify thereto under oath. I am the president of MCN International ("MCN").

2. I give this declaration in support of Lasting's application for a preliminary injunction or, alternatively, for summary judgment against plaintiff K.P. Permanent Make-Up, Inc. ("'KP").

3. In 1984, my business of Mei-Cha began manufacturing beauty supplies and equipment, including permanent makeup and related supplies and equipment. In 1992, MCN was formed to take up the business of Mei-Cha. MCN continues to market and sell the Mei-Cha brand.

4. In 1993/1994, MCN received from Lasting an exclusive international distributorship to market and sell "micro colors" products in the aesthetics and beauty portion of the permanent make up industry. There is a medical side to the permanent make up industry, but MCN does not do business in that sector.

5. Since MCN acquired said distributorship, I have continuously and aggressively marketed and promoted the Mei Cha and "micro colors" product lines. It bears noting that MCN does not have any clinics for the actual application of the permanent make up products to the ultimate user/customer. MCN only sells the products

and equipment. MCN relies on clinics and beauticians to select and use its products.

6. While engaged in furthering the business of MCN, I have also monitored the activities of MCN's competitors, including plaintiff KP. I give this declaration based on my personal involvement and supervision in virtually every aspect of MCN's business.

I

MCN's USE AND PROMOTION OF THE "MICRO COLORS" TRADEMARK, AND ITS LEADERSHIP IN THE INDUSTRY

7. As the exclusive distributor for Lasting, MCN is authorized to market, distribute and sell Lasting's "micro colors" pigments.

8. A true copy of a sample color chart of the "micro colors" pigments is attached hereto as Exhibit "8". The color chart advertises most of MCN's over 80 shades of "micro colors" that can match over 300 skin tones.

9. True copies of sample labels used by Lasting and MCN for its "micro colors" products is attached hereto as Exhibit "9". As is shown, the "micro colors" mark is prominently displayed on the color chart and the product labels.

10. I truly believe that MCN has contributed greatly to the permanent make up industry consistent with its corporate objective to raise the standards of the industry through education, training and superior and safer tools and products. MCN has taken the lead to create standards in an industry that lacks any governmental regulations. Because the permanent make

up process involves penetration into the skin or dermal, the sterility of the tools and equipment is very important, and MCN is a leader in that aspect too.

11. Towards that end, MCN has supported major trade conferences that offered educational seminars.

12. MCN has a network of distributors that spans the globe in over 55 countries. Those countries are listed in one of MCN's published brochures. (A true copy of said list is attached hereto as Exhibit "17".) Copies of advertisements by MCN and its local distributors in Brazil and Lebanon, for example, are attached hereto collectively as Exhibit "18".

13. MCN has now held over 6 different conferences here and abroad to promote the permanent make up industry and further the trade standards for product quality and safety. However, MCN also uses tradeshows to further sales efforts to compliment mail marketing to the members of the industry.

14. In August 1994, MCN sponsored and held a First Annual International MCN Micropigmentation Educational Conference that took place in Las Vegas, Nevada. (A true copy of a promotional brochure for said conference is attached hereto as Exhibit "11".) The conference was so successful in raising awareness within the industry that it prompted an editorial in the journal for the Centre For Dermal-Pigmentation Advancement of Texas. (A true copy of said editorial is attached hereto as Exhibit "12".)

15. In August 1995, MCN sponsored and held a Second Annual International MCN Micropigmentation Educational Conference that took place in Anaheim,

California. (A true copy of the agenda for said conference is attached hereto as Exhibit "13".)

16. In 1997, MCN held its Third Annual conference in Mexico City, Mexico. (A true copy of excerpts from the program is attached hereto as Exhibit "14".) We skipped a conference in 1996 as it was just too costly for MCN to organize events of such caliber and size at such first rate venues.

17. In 1998, MCN sponsored and held its Fourth conference that took place again in Las Vegas. (A true copy of a promotional brochure for said conference is attached hereto as Exhibit "15".)

18. MCN has also branched into overseas conferences. In 1999, MCN sponsored and held its First Annual Congresso Brasileiro de Micropigmentacao in Sao Paulo, Brasil. (A true copy of a promotional brochure for said conference is attached hereto as Exhibit "16".)

II

KP'S INFRINGEMENT ACTIVITIES: EVEN PLAINTIFF KP'S OWN MATERIALS SHOW THAT IT DOES NOT USE "MICRO-COLORS" FOR ITS PIGMENTS UNTIL RECENTLY IN 1999

19. MCN and plaintiff KP are direct competitors in the field of permanent make-up. Based on knowledge I acquired by reviewing KP's catalogues and price lists, and having seen KP's products at trade shows and elsewhere, both MCN and KP offer similar products to the same types of customers. Both MCN and KP have developed respective pigments that we separately market with the use of color charts. I am aware of other competitors in the trade but, as far as I know to date,

none of the other competitors use Lasting's registered "micro colors" mark.

20. I have attended hundreds of trade shows regarding skin and cosmetics care and products, and have consistently collected advertisements, price lists and "hand-outs" from competitors and others in the trade, especially those who also attend the trade shows. I attend the conventions that are organized by the International Congress of Esthetics, as well as the conventions that MCN has itself sponsored. I also keep up with the various trade periodicals that publish advertisements and articles concerning permanent make up. Furthermore, I also simply receive information in the mail from companies that seem to mass-mail their information to those of us in the permanent make up industry.

21. Based on my efforts in keeping up with the business, I am only aware of plaintiff KP's first use of "micro colors" by its advertisement in a 1999 trade show program. To my knowledge, before then, plaintiff KP did not use the "micro colors" phrase.

22. I have over the years obtained information on MCN's competitors primarily through trade shows and simply by receiving materials through the mail from the competitors. The materials I have received or acquired regarding plaintiff KP from 1995 to the present show that plaintiff KP did not use the term "micro colors" until 1999.

23. In 1995, I received price lists from plaintiff KP regarding its products. (True copies of said price lists are attached hereto as Exhibits "19" and "20".) In said price lists, plaintiff KP referred to its permanent

make-up colors as "colors", "non toxic pigment" or "pigment color".

24. In a 1996 trade show program for El Decimo Congreso International De La Estetica (translated 10th Annual International Convention of Aesthetics), plaintiff KP advertised its "pigments color chart" without using the term "micro colors". (True copies of excerpts of said program are attached hereto as Exhibit "21".)

25. In 1996 and 1997, I again received price lists from plaintiff KP regarding its products. (True copies of said price lists are attached hereto as Exhibits "22" and "23".) In said price lists, plaintiff KP again referred to its permanent make-up colors as "colors", "non toxic pigment" or "pigment color".

26. In a 1998 trade show program for The International Congress of Esthetics held in Miami, Florida, plaintiff KP advertised a "color chart" without using the term "micro colors". (True copies of excerpts of said program are attached hereto as Exhibit "24".)

27. I further obtained plaintiff KP's "color chart", copyrighted 1999, that did not use the term "micro colors". (A true copy of said chart is attached hereto as Exhibit "25".)

28. In a 1999 trade show program for The International Congress of Esthetics held again in Miami, plaintiff KP first advertised a "micro color pigment chart". With that chart, it appears that plaintiff KP began using the registered term of "micro colors". (True copies of excerpts of said program are attached hereto as Exhibit "26".)

29. I came across plaintiff KP's "micro color pigment chart" again as it was included among plaintiff KP's price list and order form. (True copies of said materials are attached hereto as Exhibit "27".)

30. Then, in the 2000 IBS Long Beach trade show, plaintiff KP again advertised its infringing "micro color pigment chart". (True copies of excerpts of said program are attached hereto as Exhibit "28".)

31. The words "micro color" in plaintiff KP's infringing ads are conspicuously kept together in a manner similar to Lasting's registered trademark, yet collectively separated from "pigment" and "chart". Plaintiff KP has aligned the words as follows:

microcolor
pigment
chart

32. To date MCN, together with Lasting, are still in the process of determining whether any one has been actually confused by plaintiff KP's using the "micro color" trademark.

III

OTHER COMPETITORS DO NOT USE "MICRO COLORS" FOR PIGMENTS

33. I have researched how other competitors in the permanent make up business market or advertise their make up pigments. Other than plaintiff KP, I have found no other company that uses the phrase "micro color" to market permanent make up pigments.

34. Identified below are various competitors along with a brief description of how they respectively market their permanent make up pigments:

(1) A 1992-93 price list for Solutions For Beauty advertised its permanent make up colors as "Permanent Cosmetic Color". (A true copy of said price list is attached hereto as Exhibit "30".)

(2) A 1993 price list for Acti-Color advertised its permanent make up colors as "pigments". (A true copy of said price list is attached
hereto as Exhibit "31".)

(3) A 1993 price list for United Tattoo Supply advertised its permanent make up colors as "cosmetic colors" and "United creamy pre-mix colors". (A true copy of said price list is attached hereto as Exhibit "32").

(4) A 1994 price list for the Institut Americain de Dermo-Pigmentation advertised its pigments as "liquid/cream pigments". (A true copy of said price list is attached hereto as Exhibit "33".)

(5) A price list for Mei Beauty Products, Inc. (from a 1997 trade show) advertised its pigments and color chart for "Mosty colors". (A true copy of said price list/color chart is attached hereto as Exhibit "34")

(6) A price list for Permanent Make-Up, Inc. (dated October 1, 1997) advertised its colors simply as "non-toxic pigment". (A true copy of said price list is attached hereto as Exhibit "35".)

(7) The Academy of Electrology advertised its permanent make up colors as "Sof Tap Permanent Cosmetics" in 1997. (A true copy of said ad is attached hereto as Exhibit "36".)

(8) As mentioned above, plaintiff KP offered a "color chart" and otherwise advertised its pigments without using the "micro colors" mark. (True copies of KP's price lists and ads are attached hereto as Exhibits "19", "20", "21", 22", "23", "24" and "25".)

(9) A June 1999 price list for Charme International advertised 42 different shades of "MegaColors pigments". (A true copy of said price list is attached hereto as Exhibit "37".)

(10) An undated price list for Cleo Colors advertised its "Cleo Color pigments". (A true copy of said price list is attached hereto as Exhibit "38".)

(11) An undated color chart for Premier Products advertised its "mixing colors", "correctional colors", "camouflage colors", among others. (A true copy of said color chart is attached hereto as Exhibit "39".)

(12) An undated price list for Tri-Lab Products advertised its "Designer Series Colours". (A true copy of said price list is attached hereto as Exhibit "40".)

(13) An undated price list for Spaulding-Rogers Mfg., Inc. advertised its "Cosmetic Colors" and "Tattoo Colors". (A true copy of said price list is attached hereto as Exhibit "41".)

(14) An undated price list for Permanent Choices advertised its color chart and price list for "Permanent Choices Pigments" and "permanent makeup colors". (A true copy of said price list/color chart is attached hereto as Exhibit "42".)

(15) An undated advertisement for Silver Needles Products & Services, Inc. advertised its "Rainbow Colors" created by Rainbow Pigment Colors, Inc. (True copies of said advertisement and the related price list are attached hereto as Exhibit "43".)

(16) An undated catalog for Derma-Medical Institute advertised its colors as "Derma Medical Colors". (A true copy of excerpts of said catalog is attached hereto as Exhibit "44".)

(17) An undated price list for Forever Natural advertised its colors as "premixed cosmetic pigments". (A true copy of said price list is attached hereto as Exhibit "45".)

(18) An undated price list for Forever More Permanent Cosmetics Inc. advertised its colors simply as "liquid pigments". (A true copy of said price list is attached hereto as Exhibit "46".)

(19) Mary's Permanent Make-up advertised its color chart simply as a "color chart". (A true copy of said price list is attached hereto as Exhibit "47".)

(20) A price list for Paradise Permanent Make-up advertised its colors simply as "pigments". (A true copy of said price list is attached hereto as Exhibit "48".)

(21) A color chart for Boca Ta-2 advertised its colors simply as "pigments". (A true copy of said color chart is attached hereto as Exhibit "49".)

35. Further, in the 2000 Directory issue or the April 2000 issue of Skin, Inc., the magazine published a list called "Brand Name Cross-reference". That reference list identifies the "micro colors" brand as belonging to Lasting and MCN:

Brand Name	Company Name
Micro-Color Pigments	Lasting Impression I
Micro-Colors	MCN International

(True copies of excerpts of said magazine are attached hereto as Exhibit "50".) Skin, Inc. is a widely respected trade journal for the beauty or esthetics industry, and I suspect that any company in the trade subscribes to it or should subscribe to it.

36. As the Skin, Inc. reference list shows, no other company is recognized as a user of the "micro colors" mark.

IV

PLAINTIFF KP SHOULD HAD KNOWN OF THE REGISTERED "MICRO COLORS" MARK

37. I believe that plaintiff KP had prior knowledge of Lasting's and MCN's "micro colors" mark, or should had known of the mark.

38. First, plaintiff KP had constructive knowledge of Lasting's mark as registered in 1993 (Exhibit "1").

39. Second, MCN engaged in heavy promotion of its "micro colors" product line, especially at its 1994, 1995, 1997 and 1998 trade shows and at industry trade shows in 1998, 1999 and 2000 for which program excerpts are provided herein. (Exhibits "11", "13", "14", "15", "16", "24", "26", and "28".)

40. Third, plaintiff KP and MCN were co-exhibitors at industry trade shows in 1998, 1999 and 2000. (Exhibits

"24", "26", and "28".) It would not be unreasonable to assume that representatives of each company observed the other's booths and products on display.

41. Fourth, plaintiff KP and MCN are not legal strangers. On November 22, 1996, MCN sued plaintiff KP for patent infringement in the matter entitled Mei-Chi-Na Beauty International, Inc. v. Theresa Kim dba Kim's Paradise, aka K. P. Permanent Make-Up and Skin Care, as Case No. SACV 96-1155 AHS (Eex) in this very Court. The parties entered into a Stipulated Consent Judgment by which KP acknowledged that it had committed patent infringement. (True copies of said Complaint and Stipulation are attached hereto as Exhibits "51" and "52".) One would think that plaintiff KP would be more alert as to the products and proprietary assets of MCN, and be more careful when treading into the area of the "micro colors" trademark.

I declare under penalty of perjury under the laws of the Unit States of America that the foregoing is true and correct. Executed September 27, 2000 at Irvine, California.

Lin McKinstry

AUG 13 REC'D

14

Supreme Court, U.S.
FILED
AUG - 9 2004
OFFICE OF THE CLERK

No. 03-409

IN THE

Supreme Court of the United States

KP PERMANENT MAKE-UP, INC, PETITIONER

v.

LASTING IMPRESSION I, INC;
MCN INTERNATIONAL, INC.

ON WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

JOINT APPENDIX
(Volume II: JA190 – END)

MICHAEL MACHAT
LAW OFFICES OF MICHAEL MACHAT, P.C.
9107 Wilshire Blvd.
Suite 425
Beverly Hills, CA 90210
(310) 860-1833

Counsel of Record
for the Petitioner

CHARLES C.H. WU
WU & CHEUNG, LLP
7700 Irvine Center Drive,
Suite 710
Irvine, CA 92618
(949) 251-0111

Counsel of Record
for the Respondents

CURRY & TAYLOR ◆ WASH D.C. ◆ (202) 223-3160 ◆ USSCINFO.COM

EDITOR'S NOTE:

THE FOLLOWING PAGES WERE POOR HARD COPY AT THE TIME OF FILMING. IF AND WHEN A BETTER COPY CAN BE OBTAINED, A NEW FICHE WILL BE ISSUED.

Relevant Docket Entries:

United States District Court, Central District of California........JA1
United States Court of Appeals for the Ninth Circuit........JA30
Complaint, filed March 16, 2000........JA38
Answer and Counterclaim, filed May 15, 2000........JA42
Declaration of Lin McKinstry, accompanying Defendants' Ex Parte Application for Temporary Restraining Order, filed October 3, 2000........JA58
Deposition transcript of Darlene Story, filed April 20, 2001........JA71
Deposition transcript of Lin McKinstry, filed April 20, 2001........JA91

Exhibits, accompanying Notice of Motion and Motion by Plaintiff for Summary Judgment, filed April 20, 2001:

Exh. E........JA190
Exh. F........JA191
Exh. G........JA193
Exh. H........JA195
Exh. I........JA196
Exh. J........JA228
Exh. K........JA197
Exh. L........JA207
Exh. N........JA209
Exh. O........JA210
Exh. Q........JA211
Exh. R........JA215

Exh. S(1-5) JA219
Exh. U JA224
Exh. W JA226
Declarations in Support of Plaintiff's Motion for Summary Judgment, filed April 20, 2001:
Declaration of Theresa Plante JA96
Declaration of Virginia Arabi JA104
Declaration of Loan Lam JA105
Declaration of Florida Arevado JA106
Declaration of Diane Tran JA107
Declaration of Maria Boyer JA108
Declaration of Aily Rashad JA109
Declaration of Ondina Calix JA110
Declaration of Maria Macial JA111
Declaration of Misma B JA112
Declaration of Wendy Gomez JA113
Declaration of Norma Abad JA114
Declaration of Diana Nguyen JA115
Declaration of Aurora Granades JA116
Declaration of Elvira Abrudan JA117
Notice of Motion and Motion by Defendants for Summary Adjudication, filed April 20, 2001 .... JA118
Declarations and Exhibits in Support of Defendants' Motion for Summary Adjudication, filed April 20, 2001:
Declaration of Darlene Story JA130
Declaration of Lin McKinstry JA135
Declaration of Lydia Leung JA141
Exh. 4, Lasting Impression I, Inc., Marketing Brochure JA231

Exh. 5, Lasting Impression I, Inc., Advertisements JA234
Exh. 41, Letter Signed By Tattooing International JA237
Opposition by Defendants to Plaintiff's Motion For Summary Judgment, filed April 30, 2001 .... JA143
Declarations and Exhibits in Support of Opposition to Plaintiff's Motion for Summary Judgment, filed April 30, 2001:
Declaration of Darlene Story JA163
Declaration of Lin McKinstry JA166
Declaration of Gloria Torres JA178
Reply Declaration and Exhibits in Support of Defendants' Motion for Summary Adjudication, filed May 7, 2001:
Reply Declaration of Lin McKinstry JA180
Exh. 46, Photographs of K.P. Permanent Make-Up Pigment Bottles with Labels JA238
Declaration and Exhibits in Support of Plaintiff's Reply to Opposition to Plaintiff's Motion for Summary Judgment, filed May 7, 2001:
Deposition transcript of Theresa Plante JA182
Judgment, United States District Court, Central District of California, filed May 16, 2001 .... JA183

Pursuant to Rule 26.1, the following items were already reproduced in the appendix to the petition for a writ of certiorari at the pages indicated and, therefore, are not reproduced again in this joint appendix:

Opinion and Order, United States District Court, Central District of California, filed May 16, 2001 ....Pet. App. 22a-31a

Opinion, United States Court of Appeals for the Ninth Circuit, filed April 30, 2003 ....Pet. App. 1a-20a

BIO-TOUCH INTERNATIONAL INC.

SPECIAL PACKAGE DEALS

Pain C[illegible]

BIOCAINE CREAM (1)
Stronger than Emla

BIOCAINE GEL (2)
Controls pain, bleeding and swelling

LIPROTEK (1)
Antioxidant vitamins repairs damage, bruising
Viral inhibitor fights herpes outbreaks

BACITRACIN OINTMENT (5)
After treatment antibiotic cream

$85

[illegible] Wave Kit

MINI EYELASH WAVE KIT (1)
-[illegible] Applications

EYELASH TINT KIT(1)
-100 Applications (Black or Brown)

VIDEO TAPE (1)
-Step by Step

$65

Some Illegible text AMB

[illegible]

SUNSHINE EYELASH WAVE (1)
-100 Applications

EYELASH TINT KIT (1)
-100 Applications (brown or black)

VIDEO TAPE (1)
-Step by step

$90

rmanent Ma[illegible]

Permanent Make-Up Machine Kit (10 single & 2 triple Needles, 5 disposable caps, 1 120V adapter, 1 front casing, 1 middle casing, 2 small sample pigment, 4 containers and 50 filter sponges
5 Micro-Pigment colors (your choice)
1 Biocaine Anesthetic Cream
10 Disposable. Needle Caps
10 Disposable Sleeves
3 of 2-Prong Needles
3 of 3-Prong Needles
3 of 5-Prong Needles
1 Practice Skin Material (11 styles of Eyebrows)
1 Training Video on Permanent Make-Up & Eyelash Perming (1 hour and 20 min. duration)

$ 280

Permanent Makeup Complete

- Permanent Make-Up Machine Kit
- 1 Professional Carrying Case
- 10 Micro-Pigment colors
- 10 Double-Prong Needles
- 10 Triple-Prong Needles
- 10 Five-Prong Needles
- 10 Three-Prong Caps
- 10 Five-Prong Caps
- 10 Disposable Sleeves
- 10 Acrylic containers
- 1 Practice Skin
  (11 styles of Eyebrows)
- 1 Biocaine Anesthetic Creme
- 1 Training Video in Permanent Make-Up & Eyelash Perming

$ 500

EX.
WITNESS [illegible]
DATE [illegible] Rptr [illegible]
Clifton Strickland Reporters

JA191

$20

F

WITNESS Story

DATE 2-23-01 Rptr

Clifton Strickland Reporters

BIO-TOUCH INTERNATIONAL INC.

18472 Colima Rd., Suite 214 • Rowland Heights, CA 91748, USA
1(800)835-3388 • Tel:(626)964-0638 • Fax:(626)965-4203
e-mail: sales@biotouch.com
Web-site: http://www.biotouch.com/

PERMANENT MAKEUP SHOW SPECIAL PRICE LIST

Machines, Attachments, Pigments, Accessories, Perm & Tinting Kits

Code	**Machine**	**Retail**	**Show**	**Qty**	**Total**
SDK	Sun Shine Machine Kit Kit Includes: 1 Machine, 1 Adapter (110V or 220V). Disp. Attachments Include: Needles, Tips, Tubes Sleeves, 1 Middle Casing, 1 Front Casing Needle Sponges, 4 pigment Containers, & 2 trial size Pigments	$200.00	$150.00	**or 2 for $250.00**	
SDM	Sun Shine Machine Only	$120.00	$ 95.00		
Code	**Machines Attachments**	**Retail**	**Show**	**Qty.**	**Total**
SDP	S/M Adapter(120V)	$15.00	$12.00		
SDQ	S/M Adapter(220V)	$15.00	$12.00		
SDT	S/M Disp Tube(50/box)	$40.00	$30.00		
SDS	S/M Disp Sleeves(30/box)	$30.00	$25.00		
SP3	1-3 Prong Needle Cap(80/box)	$25.00	$20.00		
SP5	5 Prong Needle Cap (80/box)	$25.00	$20.00		
STS	Transmission Shaft (10/box)	$24.00	$18.00		
SMC	Middle Casing (10/Box)	$15.00	$12.00		
SFC	Front Casing (10/box)	$15.00	$12.00		
SSP	Needle Sponges (100 pcs.)	$ 6.00	$ 4.00		
Code	**Needles**	**Retail**	**Show**	**Qty.**	**Total**
SN1	Disp 1-Prong Needle(100/box)	$25.00	$20.00		
SN2	Disp 2-Prong Needle(50/box)	$45.00	$35.00		
SN3	Disp 3-Prong Needle(50/box)	$45.00	$35.00		
SN5	Disp 5-prong Needle(50/box)	$50.00	$45.00		
SN7	Disp 7-prong Needle(50/box)	$70.00	$60.00		
Code	**Anesthetics**	**Retail**	**Show**	**Qty**	**Total**
A15	Anesthetic Spray Lotion (15% Lidocaine)	$70.00	$55.00		
A16	Instant Numb Cream	$60.00	$50.00		
A17	Liprotek #7 Lip Protector	$15.00	$12.00	**or 2 for $20.00** ✓	
A18	BioCaine Anesthetic Cream	$35.00	$30.00		
A19	BioGel (Controls Bleeding, Swelling & Pain)	$35.00	$30.00		
Code	**Cosmetic Liquid Liners**	**Retail**	**Show**	**Qty.**	**Total**
CLL	Liquid Liners (10 colors available)	$15.00	$10.00		
CLLG	Liquid Lip Gloss Oil	$15.00	$10.00		
CLLR	Liquid Eraser	$15.00	$10.00		
CLLK	Liquid Liner Kit (12 bottles)	$180.00	$120.00		
CLLY	Liquid Liner Display Kit (72 bottles)	$1,080.00	$720.00		

JA192

Code	**Micro Pigment Color**	**Retail**	**Show**	**Qty.**	**Total**
BJK	Jet Black	$30.00	$20.00		
BBK	Black	$20.00	$15.00		
BGY	Gray	$20.00	$15.00		
BCB	Chocolate Brown	$20.00	$15.00		
BDB	Dark Brown	$20.00	$15.00		
BBR	Brown	$20.00	$15.00		
BLB	Light Brown	$20.00	$15.00		
BTU	Taupe	$20.00	$15.00		
BDR	Dark Red	$20.00	$15.00		
BBD	Burgundy	$20.00	$15.00		
BRW	Red Wine	$20.00	$15.00		
BRE	Real Red	$20.00	$15.00		
BRR	Rose Red	$20.00	$15.00		
BOG	Orange	$20.00	$15.00		
BBG	Beige	$20.00	$15.00		
BWT	White	$20.00	$15.00		
BYE	Yellow	$20.00	$15.00		
BBL	Blue	$20.00	$15.00		
BGN	Green	$20.00	$15.00		
Code	**Accessories**	**Retail**	**Show**	**Qty.**	**Total**
ZACT	Color & Accessory Tray Tray holds 20 pigments bottles, 4 containers, 1 machine	$38.00	$30.00		
CAC	Acrylic Container(50/box)	$25.00	$20.00		
CAR	Color Pigment Caps with Rings (50 Caps/ 3 rings)	$25.00	$20.00		
EBB	Charming Eyebrow Bands (11 Different Bands)	$46.00	$36.00		
EBG	BioTouch Eyebrow Band (12 Different Stencils)	$46.00	$36.00		
PSB	Practice Skin	$10.00	$ 8.00		
GLO	Laytex Gloves (100/box)	$15.00	$12.00		
DHC	Disp. Hair Caps (100/box)	$12.00	$10.00		
DMM	Disp. Mouth Mask(50/box)	$12.00	$10.00		
Code	**Eyelash Perm &Tint**	**Retail**	**Show**	**Qty.**	**Total**
EPC	Sun Shine Eyelash Wave Kit includes: 3 8ml bottles Perm Solution, 3 8ml bottles of Neutralizing Solution, 2 8ml bottles of Collagen Gel, 2 8ml Glue remover, 1 Eyelash Glue, 24 pairs of rods (8 small, 8 medium, 8 large)	$84.00	$69.00		
EPCM	Mini Eyelash wave Kit Kit includes: 1 8ml bottle of Perming Solution, 1 8ml bottle of Neutralizing Solution, 1 8ml bottle Collagen Gel, 1 8ml Glue remover 1 Eyelash glue, 8 pairs of rods	$ 48.00	$39.00		
PRL	Eyelash Perm Rod L (8 Pairs)	$ 8.00	$ 4.00		
PRM	Eyelash Perm Rod M(8 Pairs)	$ 8.00	$ 4.00		
PRS	Eyelash Perm Rod S (8 Pairs)	$ 8.00	$ 4.00		
EPU	Eyelash Perm Glue	$15.00	$10.00		
EBK	David Sebastian Eyelash Tint Kit (Black)	$30.00	$25.00		
EBR	David Sebastian Eyelash Tint Kit (Brown)	$30.00	$25.00		
Code	**Training Video**	**Retail**	**Show**	**Qty.**	**Total**
VTE	Permanent Makeup Training Video(English)	$45.00	$40.00		
VTS	Permanent Makeup Training Video(Spanish)	$45.00	$40.00		
VEO	Eyelash Perming & Tinting Video (English)	$25.00	$20.00		
VES	Eyelash Perming & Tinting Video (Spanish)	$25.00	$20.00		

01/00

TATTOOINC

international
Since 1987 in Paris

MICROPIGMENTATION

10/24/98
Miami FL

Finally!

Professional Machines....

- *Durable, Long Life Machine*
- *Color Reserve*
- *Filling Lips and Surfaces Process*

For More Professional Work....

- *20 Minutes*
- *Single Session*
- *No Redness*
- *No Swelling or Scabbing*

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COSMETIC PIGMENTS / PIGMENTS COSMETIQUES

MANUFACTURED IN FRANCE BY TATTOOING
Certified FDA - CEE - JAPAN - IRON OXYDE BASED (LOT & Date coded)

OUR MICRO COLORS ARE THE BEST IN THE WORLD. THE HIGHT QUALITY OF THE MINERAL POWDER (HIGHLY RESISTANT TO THE LIGHT) STABILISED IN ANTISEPTIC AND ANTI-DESSICANT LIQUID FOR HIGHT QUALITY PIGMENT OFFERS A GREAT STABILITY IN THE SKIN, BRIGHTNESS, LUMINOSITY. WE HAVE COMPOSED OUR OWN RANGE OF PIGMENTS TO AVOID THE DELICATE AND DIFFICULT TASK OF FINDING THE RIGHT COLORS. EACH COLOR CORRESPONDS TO A SPECIAL SKIN TYPE AND THE NAME USED TO DESCRIBE HAIR COLORING WILL MAKE IT EASIER TO OBTAIN THE DESIRED RESULT WITH THE CUSTOMERS. OUR PIGMENTS HAVE UNDERGONE THE TEST TOXICOLOGICAL AN BACTERIOLOGICAL TESTING (ON REQUEST)

High quality pigments 18 ml : **$35.00**

ACCESSORIES

• Corrector: pigment remover solution with no acid	$50.00
• European Eyebrow shaping headbands kit with waterproof working pencil	$39.00
• Waterproof pencil Black / Red	$5.00
• 50 Disposable plastic caps small / large	$5.00
• Cap holder for 1 large or 4 small	$7.00
• 25 Empty pigment containers	$15.00
• Proxabrush cleaning brush	$5.00
• Proxabrush cleaning brush refill (pack 4)	$6.00
• Pigment mini-mixer	$15.00

ARTISTIC TATTOOING :

• Kit of artistic tattoo 14 Tattooings inks 15 ml - 1 Magic transfer - 1 Silk sheet of tracing paper 1 Sheet of duplicating carbon - 1 Video course in English	$190.00
• Tattooing inks 15 ml Sky blue - Sea blue - Turquoise - Pink - Violet -Jade green - Moss green Yellow - Orange -Fir red - Blood red - Black - White - Brown	$9.00
• Magic transfer	$25.00
• 10 Silk sheet of tracing paper	$2.00
• 5 Sheet of duplicating carbon	$2.00
• Sheet of tattoo design	$3.00

VIDEO LIBRARY TATTOOING: ENGLISH / FRENCH

• "Approach to skin pigmentation"	$10.00
Educational Video Cassettes on Micropigmentation	
• Video course for permanent makeup (eyebrow-eyeliner-lipliner-freckles)	$65.00
• Video course for restructuring surfaces (Filling lips, breast, scars, etc.)	$55.00
• Video course for artistic tattooing	$55.00
• Instructional course Book of Micropigmentation (Permanent makeup-restructuring surfaces-artistic tattooing)	$39.00
• Practice head with stand for video course	$39.00

COMMERCIAL ADVERTISING FOR YOUR SALON

• Micropigmentation video - Actual customer applications	$55.00
• Poster - "Before / After" Permanent Makeup	$15.00
• Poster "Before / After" Medical Reconstruction	$15.00

PERMANENT COSTMETIC MAKE-UP

WE INVITE YOU TO OUR PERMANENT MAKE-UP WORK SHOP TO BE HELD IN LOS ANGELES SHOW SPECIAL END OF FEB 25, 1990.

PERSONAL INSTRUCTION BY THERESA PLANTE AND KIM ANNIE
THESE CLASSES WILL BE DEMONSTRATING OUR NEWEST TECHNIQUES ON LIVE MODELS
EYEBROWS, EYELINERS, LIPLINERS
BEAUTY MARK, CORRECTIVE, COLOR BLENDING
PERM EYE LASHES, TINT BROWS AND LASHES
THE COST OF THE CLASS IS $1500.00 THE SIZE OF CLASS WILL BE LIMITED TO SIX STUDENTS PER CLASS. EACH CLASS IS LIMITED TO 16 HOURS.

INCLUDES: ONE MACHINE LIGHTWEIGHT AND EASY TO OPERATE
ONE VIDEO, ONE SPRAY TOPICAL ANESTHETIC SOLUTION
50 SINGLE NEEDLES, 50 PIGMENT CONTAINERS
THREE LASHES DYE (BLACK BLUE BROWN)
ONE LASHES PERM KIT (80 RODS L,M,S,)
ONE TRAY HOLDER AND 5 MICROCOLOR PIGMENTS

KIM'S PARADISE
818 N. BROADWAY STE # 206B-209
LOS ANGELES CA 90012
TEL: 213-687-7013

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WITNESS Story
DATE 2-23-01 Rptr. MLS
Clifton Strickland Reporters

PERMANENT COSTMETIC MAKE-UP

WE INVITE YOU TO OUR PERMANENT MAKE-UP WORK SHOP TO BE HELD IN LOS ANGELES SHOW SPECIAL END OF MARCH 30, 1991.

PERSONAL INSTRUCTION BY THERESA PLANTE AND KIM ANNIE
THESE CLASSES WILL BE DEMONSTRATING OUR NEWEST TECHNIQUES ON LIVE MODELS
EYEBROWS, EYELINERS, LIPLINERS
BEAUTY MARK, CORRECTIVE, COLOR BLENDING
PERM EYE LASHES, TINT BROWS AND LASHES
THE COST OF THE CLASS IS $1000.00 THE SIZE OF CLASS WILL BE LIMITED TO SIX STUDENTS PER CLASS. EACH CLASS IS LIMITED TO 16 HOURS.

INCLUDES: ONE MACHINE LIGHTWEIGHT AND EASY TO OPERATE
ONE VIDEO, ONE SPRAY TOPICAL ANESTHETIC SOLUTION
50 SINGLE NEEDLES, 50 PIGMENT CONTAINERS
THREE LASHES DYE (BLACK BLUE BROWN)
ONE LASHES PERM KIT (80 RODS L,M,S,)
ONE TRAY HOLDER AND 5 MICROCOLOR PIGMENTS

KIM'S PARADISE
818 N. BROADWAY STE # 206B-209
LOS ANGELES CA 90012
TEL: 213-687-7013

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WITNESS Story
DATE 2-23-01 Rptr. MLS
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K.P.

[illegible] ke-Up Inc.

880 E. Broadway Los Angeles, CA 90012 Tel (213) 687 7013 Fax (213) 626 6045

Manufacturer & Wholesaler of Permanent Make-Up Supplies / Training Classes Available.

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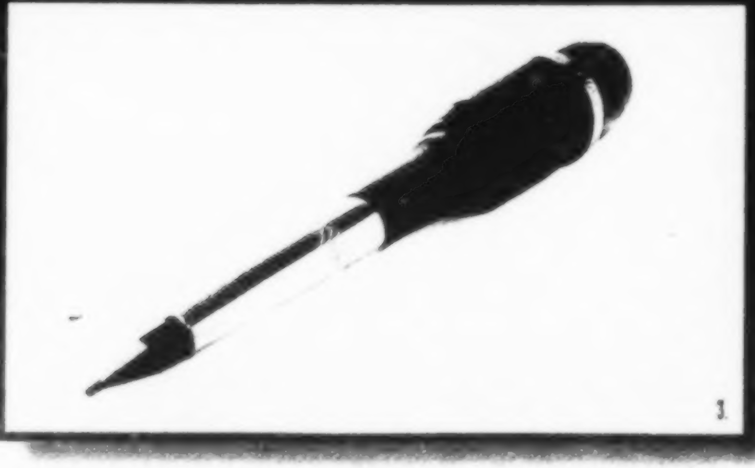
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Product Description List

1 Acrylic revolver w/ assorted PMU pigments
2 KP-96 PMU Machine
3 KP-98 PMU Machine

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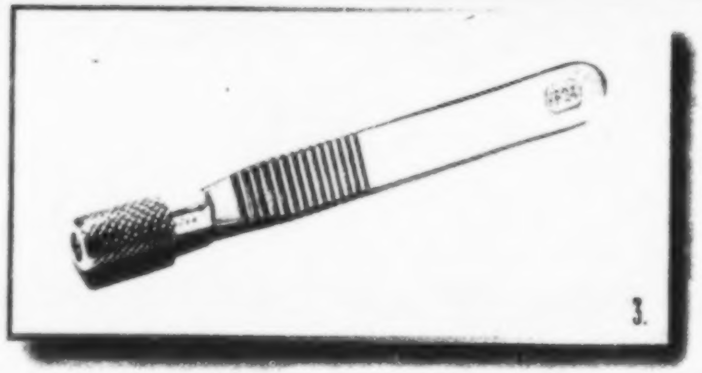
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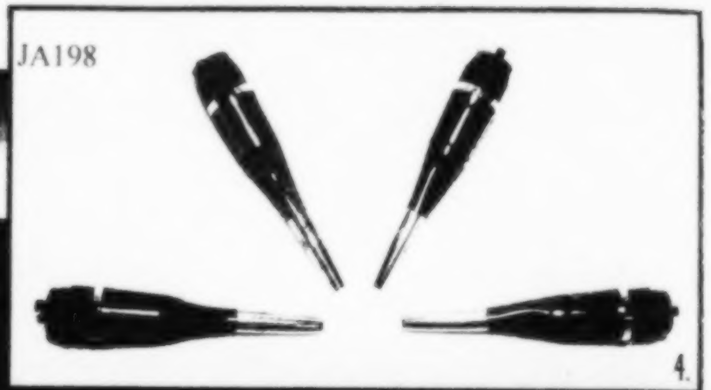

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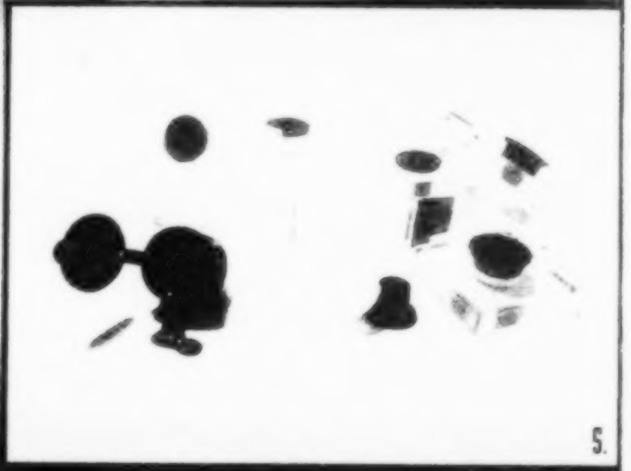
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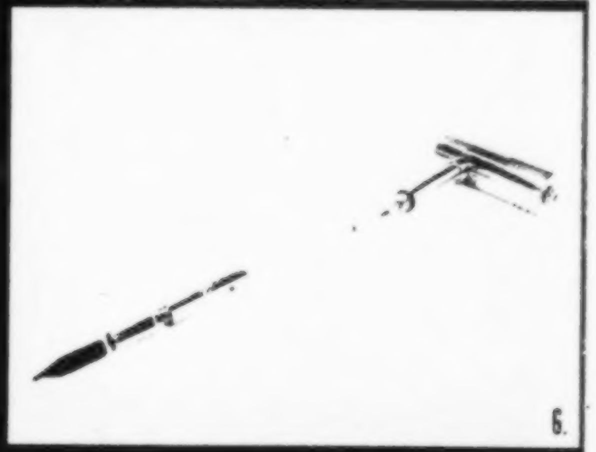
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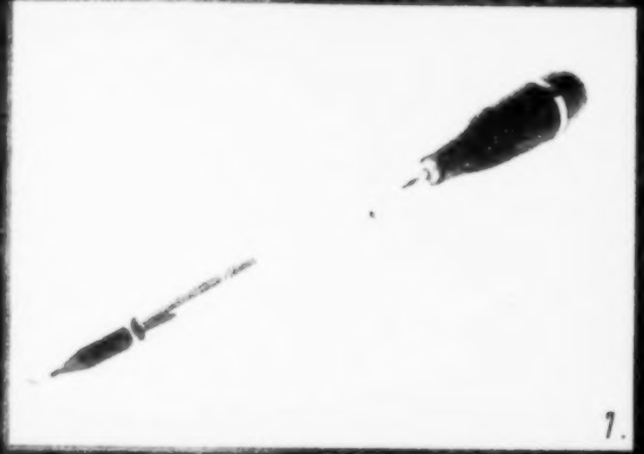
Product Description List:

1 KP-98 w/machine acrylic holder
2. KP-2038 PMU Machine
3 Stainless Steel Manuel Pen
4 KP-98 PMU Machine (Blue, Red, Purple, Gold)
5. Assorted Acrylic Tray Holders
6 KP-96 PMU Machine (Disassembled)
7. KP-98 PMU Machine (Disassembled)
8. Hurricaine Anesthetic Assortment
9 Eye Brow Design Kit (12 Styles)
10 Eye Lash Perm Kit

H.P. Permanent Make-Up Inc. ©199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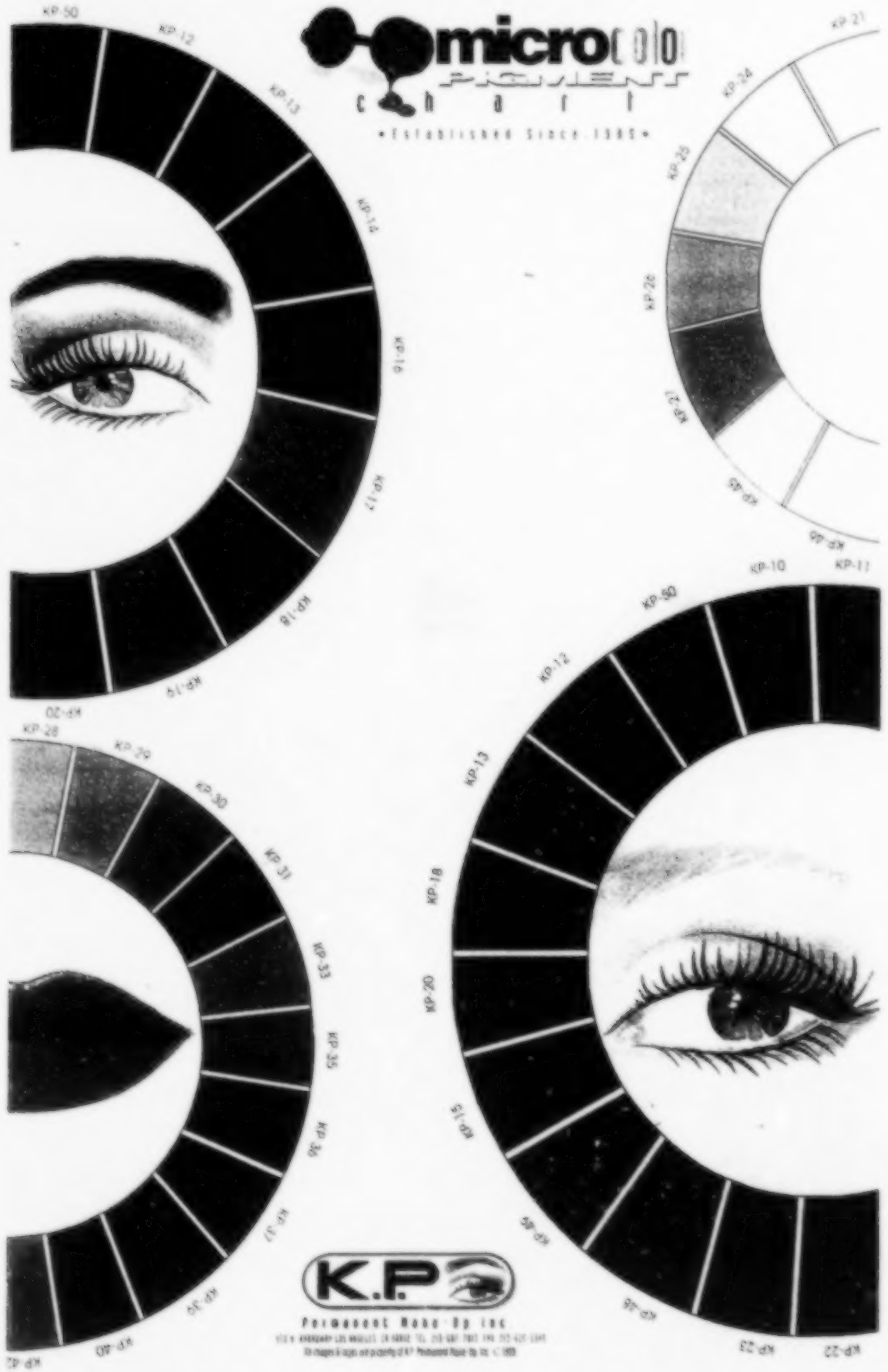
microcolor
PIGMENT
chart
•Established Since 1985•
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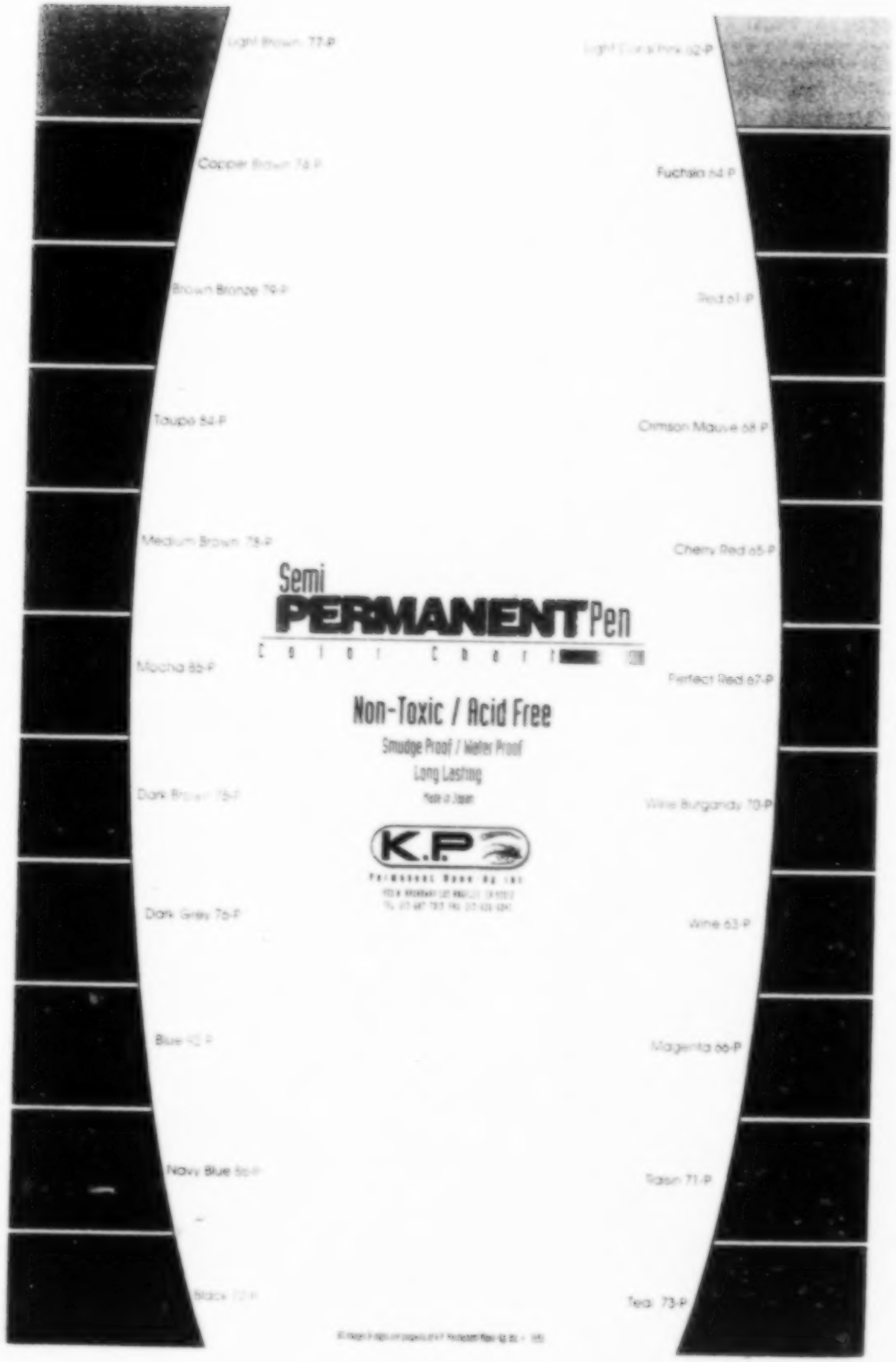

Light Brown 77-P
Copper Brown 74-P
Brown Bronze 79-P
Taupe 84-P
Medium Brown 78-P
Mocha 85-P
Dark Brown 75-P
Dark Grey 76-P
Blue [illegible]
Navy Blue [illegible]
Black 72-P

Light Coral Pink 62-P
Fuchsia 64-P
Red 61-P
Crimson Mauve 68-P
Cherry Red 65-P
Perfect Red 67-P
Wine Burgandy 70-P
Wine 63-P
Magenta 66-P
Tasin 71-P
Teal 73-P

Semi PERMANENT Pen
Color Chart

Non-Toxic / Acid Free

Smudge Proof / Water Proof
Long Lasting
Made in Japan

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[illegible]

[illegible]

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PRICE LIST
Order Form

950 N. BROADWAY LOS ANGELES, CA 90012 TEL: 213-687-7013 FAX: 213-626-0045 E-Mail: kpmakeup@aol.com
kpfactory@aol.com

ITEM	DESCRIPTION	PRICE
26	KP-90 / KP-98 Stainless Steel Sleeve (parts 5 & 8)	$15.00
27	Adapter (110V / 220V) KP-90 / KP-98 G-9430	$15.00 $10.00
28	G-9430 Disposable Sleeve	$2.00
29	G-9430 Disposable Chambers (20/Box) (100/Box)	$15.00 $45.00
30	Sponges for G-9430 (100/Pkg)	$3.00
31	Leather Face	$2.00
32	Gloves (100/Box) Sizes: Small / Medium / Large	$10.00
33	Finger Cots (144/Box) Sizes: Small / Medium / Large	$4.00
34	Refectocil w/Oxidant Colors: Black, Brown, Navy Blue	$12.00
35	Comedone Extractor	$5.00
36	Stainless Steel Manual Pen	$20.00
37	Plastic Manual Pen	$5.00
38	Disposable Manual Triple Prong Needles (5/Pkg)	$10.00
39	Disposable Manual Five or Seven Prong Needles (5/Pkg)	$15.00
40	Disposable Manual Ten or Twelve Prong Needles	$20.00
41	Disposable FLAT Triple Needles for KP Machines (10/Pkg) (50/Box)	$10.00 $50.00
42	Disposable FLAT Four Prong Needles for KP Machines (10/Pkg) (50/Box)	$10.00 $50.00
43	Disposable FLAT Six Prong Needles for KP Machines (10/Pkg) (50/Box)	$15.00 $60.00
44	Disposable FLAT Needle Covers Sizes: Small for 3-4 Prong Needles Large for 6 Prong (80/Box)	$20.00
45	Single Prong Needle for Coil Tattoo Machine, Per Piece	$1.00
46	Double Prong Needle for Coil Tattoo Machine (Round/Flat)	$1.00
47	Triple Prong Needle for Coil Tattoo Machine (Round/Flat)	$1.50
48	Five Prong Needle for Coil Tattoo Machine (Broad/Flat)	$1.50
49	Eight Prong Needle for Coil Tattoo Machine (Round/Flat)	$2.00

Distributors Welcome - Training Classes Available. Private post secondary vocational education license # 1935221

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Permanent Make-Up Inc
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kpmakeup@aol.com

PRICE LIST
Order Form

ITEM	DESCRIPTION	PRICE
1	Permanent Make-Up Kit a. One PMU machine, video, anesthetic, b. 10 single needles, 10 triple needles, tray holder, c. 20 needle covers, 50 pigment containers, d. Pigment Colors: Black, D.Brown, M. Brown, White, Red	$180.00
2	KP-96 Permanent Make-Up Machine Kit (Stainless Steel Machine)	$120.00
3	KP-99 Permanent Make-Up Machine Kit	$70.00
4	G-8430 Permanent Make-Up Kit	$70.00
5	Disposable Single Prong Needles (100/Box)	$20.00
6	Disposable Double Prong Needles (50/Box)	$32.00
7	Disposable Triple Needles (50/Box)	$35.00
8	Disposable Five Prong Needles (50/Box)	$50.00
9	Disposable Seven Prong (50/Box)	$60.00
10	Disposable Needle Covers: Small Size (1-3 Prong Needles) Large Size (5-7 Prong Needles) 80Pcs/Box	$20.00
11	Acrylic Pigment Container & Device Holder w/10 Insert Center Pcs	$15.00
12	Insert Center Piece (10/Pkg)	$5.00
13	Tray Holder (Various Sizes)	$4.00
14	Disposable Pigment Containers (50/Pkg) Small / Large	$3.00
15	Lightweight Stainless Steel Ring (Small / Large) (Holds 1 small or large disposable pigment cont.)	$5.00
16	Plastic Rings (3/Pkg) Small / Large (Holds 1 small or large disposable pigment cont.)	$5.00
17	Bacitracin Ointment (144Pcs/Box)	$12.00
18	KP Topical Anesthetic Gel (Tag #45) 1 oz	$30.00
19	Hurricaine Topical Anesthetic Gel / Liquid, 1 oz	$10.00
20	Eyebrow Stencils (10 Styles)	$15.00
21	Eyebrow Design Kit (12 Styles)	$25.00
22	Eyelash Perm Kit w/Glue (50 Applications)	$50.00
23	Eyelash Glue	$10.00
24	Eyelash Rods (8 Pairs/Pkg) Small / Medium / Large	$4.00
25	S-500 Wayne Dry Heat Sterilizer	$285.00

Buy Direct from Factory and Save 20% to 50%

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kpmakeup@aol.com

PRICE LIST
Order Form

KP-10 BLACK 1 (SOFT BLACK)
KP-11 BLACK 2 (JET BLACK)
KP-12 DARK BROWN
KP-13 MEDIUM BROWN
KP-14 LIGHT BROWN
KP-15 GRAY 1
KP-16 GRAY 2 (SMOKE)
KP-17 GRAY 3 (SMOKE SILVER)
KP-18 TAUPE 1
KP-19 TAUPE 2 (BRONZE)
KP-20 TAUPE 3 (BRONZE SILVER)
KP-21 WHITE
KP-22 GREEN
KP-23 DARK GREEN
KP-24 SKIN 1 (IVORY)
KP-25 SKIN 2 (MEDIUM BEIGE)
KP-26 SKIN 3 (DARK BEIGE)
KP-27 SKIN 4 (RUST BROWN)
KP-28 PINK 1 (ROSE PUMPKIN)
KP-29 PINK 2 (MAUVE)
KP-30 PINK 3 (PURPLE PINK)
KP-31 PINK 4 (EARTH)
KP-33 PINK 6 (ORANGE NECTAR)
KP-35 RED 1 (CHERRY RED)
KP-36 RED 2 (WINE BURGUNDY)
KP-37 RED 3 (PURPLE RED)
KP-39 RED5 (MAHOGANY)
KP-40 RED 6 (BROWN WINE)
KP-42 RED 8 (ROSE ORANGE)
KP-45 YELLOW 1
KP-46 YELLOW (LEMON)
KP-48 LIGHT BLUE
KP-49 NAVY BLUE
KP-50 COCO

1/2 oz Bottle (Non-Toxic, Sterilized Pigments)........................$10.00 ea
In quantities of 12 or more..$7.00 ea

61-P RED
62-P CORAL PINK
63-P WINE
64-P FUCHSIA
65-P CHERRY RED
66-P MAGENTA
67-P PERFECT RED
68-P MAUVE
70-P WINE BURGUNDY
71-P RAISIN
72-P BLACK
73-P TEAL
74-P COPPER BROWN
75-P DARK BROWN
76-P DARK GREY
77-P LIGHT BROWN
78-P MEDIUM BROWN
79-P BROWN BRONZE
84-P TAUPE
85-P MOCHA
88-P NAVY BLUE
92-P BLUE

Semi-Permanent Pen........................$4.00 ea or 3/$10.00
20 Creative Stencils........................$2.00 ea design

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To place an order you may choose any of the following 5 :

Mail to	950 N. BROADWAY LOS ANGELES, CA 90012
Call	213 687 7013 (California Residents)
Call	800 585 8730 (Outside California)
Fax	213 626 6045
E-Mail	kpfactory@aol.com • kpmakeup@aol.com

K.P.

Permanent Make-Up Inc

• Established Since 1985 •

Order Form / Company Policies

SHIPPING: All orders are shipped ground service via United Parcel Service. Next Day Air, 2nd Day Air, 3-Day Select & Saturday Delivery are available upon request at an additional cost. All shipping charges are based on weight, level of service, & Zone. ETA on all packages vary from 1-7 business days.

C.O.D.'s: For all COD's, there is an additional charge of $5.00. First time COD orders must be paid by a Money Order or a Cashiers Check. It is extremely important that upon a UPS delivery attempt, someone is there to accept the package along with the carrect amount. If a package is refused and is returned, the reciever will be charged the shipping fee & will not be able to recieve any further packages until the bill is cleared.

RETURNED CHECKS: For any reason in the event of a returned check that has bounced, there will be a $25.00 fee. No further orders will be shipped until the bill is cleared & all future orders must be paid by a credit card or a money order/cashiers check.

RETURNS & DAMAGES: Returns must be made within 7 days of delivery in original packaging & must be accompanied by a copy of the reciept. Used & damged products will not be accepted unless by approval from mangement & is subject to a 20% restocking fee minus shipping. Any damaged claims must be made within a 24 hour period to assure replacement. Shipping is not included for returns unless damaged.

INTERNATIONAL ORDERS: Orders must be paid in advance by credit card or bank wire transfers. No COD's are available. Recievers are responsible for duties & taxes for customs.

CREDIT CARD ACCOUNTS: Please call & request a credit card form.

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Los Angeles, Ca
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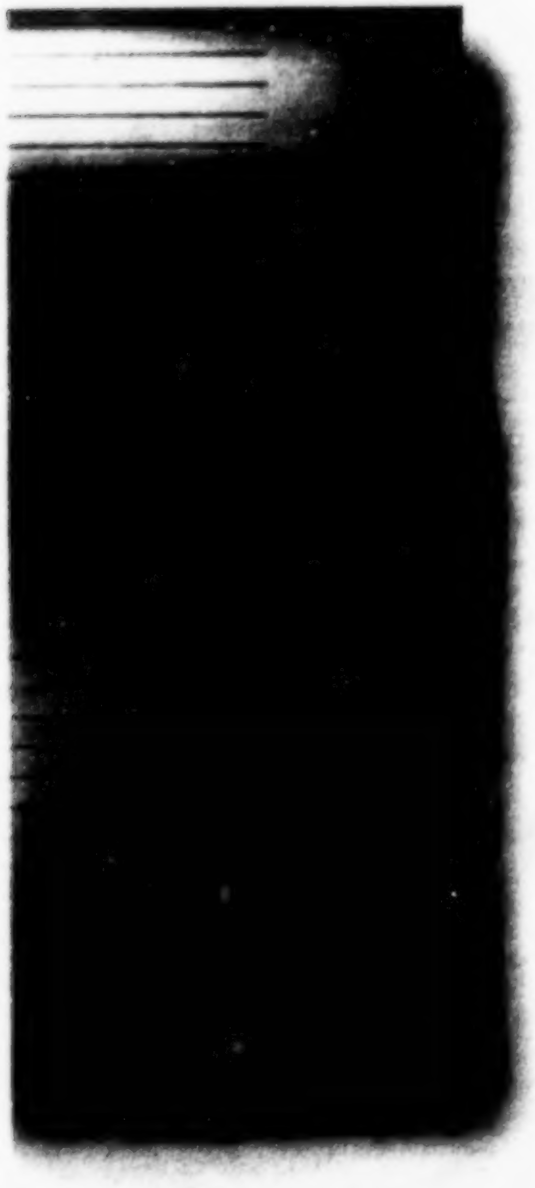

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Permanent Make-Up Inc.
950 N. Broadway
Los Angeles, CA 90012
Tel:(213) 687.7013
Fax:(213) 626.6045
E-Mail: kpmakeup@aol.com
www.kpmakeup.com

Distributors Welcome - Training Classes Available. Private post secondary vocational education license # 1935221

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WITNESS: Stort
DATE: 2.23.01 Rptr: mls
Clifton Strickland Reporters

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LASTING IMPRESSION I, INC.

Micropigmentation, the implantation of an inert iron oxide pigment into the dermis, offers new options and hope for countless individuals. Its popularity has been fueled by its cosmetic uses as an eye liner, eyebrow enhancer and lip liner. However, the medical community has also used micropigmentation to enhance the final results in breast reconstruction, scar revision, burns, vitiligo, tumor markers and other cases of pigmentary disorder.

Lasting Impression I, Inc. is a medical-esthetician manufacturer and distributor of micropigmentation products and services (permanent cosmetics and para-medical procedures). It is operated by the wife and husband team of Darlene and Richard Story, the company founders. They have combined more than 15 years in the field of micropigmentation, specifically in the medical area.

Lasting Impression I, Inc. believes in micropigmentation in a safe, medical, sterile fashion with an emphasis on being cost effective and the ensurance of patient satisfaction. This philosophy is rooted in the fact that the Food and Drug Administration (FDA) considers micropigmentation a cosmetic process ("tattooing") rather than a medical necessity. Tattooing is not regulated by the FDA. It has left the regulatory functions to the individual states and many have no regulations. Over the past few years the FDA has been deluged with consumer complaints ranging from incorrect pigment color and poor pigment quality to inadequate technique (i.e., pigment migration or spreading). It seems inevitable that the FDA will take an active role and regulate micropigmentation.

Lasting Impression I is committed to a five-point approach.

1. *Improve pigment quality, selection and sizes:* Various types of pigments are being used: from vegetable-based dyes and Indian ink to gold. Many of these pigments can cause an allergic reaction, contribute to pigment migration (pigment spreading) in the dermis, or create more serious complications. Only high quality, sterile, iron oxide pigments, made from approved ingredients should be used. Lasting Impression I pigments are iron oxide, consist of FDA approved ingredients and are sterile. The company employs a three-point sterilization process (Bioburden test, Gamma-radiation, Spore test) to assure the highest standard of sterilization offered in today's market. In addition, all Lasting Impression I pigments (Micro-Colors) are six microns. This is the molecule size of the pigments. Research shows that six microns is the ultimate particle size for the pigment to be properly maintained in the dermis, and if it is properly applied, there is less likelihood of fading.

The company uses 44 different Micro-Colors. This broad selection facilitates mixing and proper color matching, and includes a large selection of brown, beige and pink tones. All shades are offered in four sizes: 15cc, 2cc and 0.5cc vials and a 0.5cc tester vial. These sizes permit purchase of the quantity of pigment needed reducing waste and cost. The tester vials are for skin patch tests. It is proper medical technique to conduct skin patch tests on each patient in view of the invasive nature of the procedure and as a precaution against allergic reactions.

2. *Create a color mixing system:* Lasting Impression I created Micro-Colors Mixer/Tester Kit, a patent-pending pigment mixing system for obtaining the proper color match, one of the most critical aspects of micropigmentation. In the color matching of skin tones several pigment shades are used. Typically, one or two base pigments, one or two pigments to adjust for contrast and a pigment to compensate the underlining skin tone of the area to be pigmented. Implanting pigment with the incorrect color nullifies the entire procedure and can be viewed as a form of patient disfigurement.

The kit contains all 44 Micro-Colors, mixing supplies and four tester vials to perform skin tests. In addition to achieving a perfect color match, it provides three major benefits:

- Reduces the amount of mixing time needed to achieve a near perfect color match.
- Cost effective because only the specific pigment needed is purchased and in the precise quantity required.
- Permits the patient to have input in the color mixing process and approve the final color.

3. *Establish a consultant support group:* Lasting Impression I has established a consultant support group consisting of physicians, nurses, micropigmentation specialists and estheticians; all of whom are experts in the field of micropigmentation.

4. *Establish a training program:* Lasting Impression I is also establishing a training program that requires certain prerequisites. Sterility, the risk of infections and cross contamination, color analysis and theory, technique, skin patch testing, health history evaluation, pre-op evaluation and post-op care will be heavily stressed. Upon certification, participants will be able to obtain insurance to perform micropigmentation.

5. *Integrate estheticians with the medical field:* Increasingly, physicians are relying on estheticians to perform both cosmetic and para-medical micropigmentation procedures. It permits the physician to expand the number of procedures offered and use micropigmentation as an adjunct to these medical procedures. Estheticians are able to work with a group of micropigmentation patients, and are given an opportunity to integrate various skin care techniques into the practice. With its long association with the medical market, coupled with its association with the esthetician market, Lasting Impression I can help these two professions to work hand in hand.

For further information regarding Lasting Impression I, Inc., circle no. 156 on the Skin Inc. Reader Reply Card in this issue facing page 80. ■

SUPPLIER
SPOTLIGHT

n
WITNESS: Story
DATE: 2-23-01 Rptr: MCS
Clifton Strickland Reporters

This article was written by Darlene and Richard Story, co-owners of Lasting Impression I, Inc., as a description of their company's products. Skin Inc. *is not associated with this or any other product line.*

---

by MCN International

MICRO-COLORS® Pigment

MICRO-COLORS® Pigment

MICRO
COLORS
MEICHA
MICRO
COLORS
Red Lip Liner 3
MCN International Inc.

80 Pigment Colors to Match Over
300 Skin Tones
For Cosmetic & Paramedical Procedures

- Iron oxide base *
- No evaporation or splatter
- Same consistency and color every batch
- Contains no water
- Minimum particle size is 6 microns
- Gamma sterilized
- Lot & date coded to assure quality and freshness
- Widely used in medical and cosmetic industry
- Made in USA
- 12cc size
- Ingredient list on label
- Made with FDA approved ingredients for cosmetic use

The Ultimate Guide to Pigments

This booklet is a virtual education in pigments. *The Ultimate Guide to Pigments* will educate you in pigment base, skin undertones and various applications. This booklet is your guide to the most effective use of the pigments, including the MICRO-COLORS® pigment line. Available in English.

BEWARE: MICRO-COLORS® Pigment is the first and only MICRO-COLORS available by MCN. All other brands with similar or identical names are not associated with MCN. Due to the high demand for this superior quality pigment, many impostor pigments have been developed to create confusion in the marketplace. Make an informed purchasing decision; verify that MCN is the manufacturer before you buy. MICRO-COLORS is a federally registered trade name and trademark that is only available via MCN**.

* Some pigment colors contain organic ingredients as indicated on the pigment bottle label.

** Micro-Colors is a product of Lasting Impression Inc.

o
WITNESS: Story
DATE: 2-23-01 Rptr: MCS
Clifton Strickland Reporters

Int. Cl.: 2

Prior U.S. Cl.: 6

United States Patent and Trademark Office

Reg. No. 1,769,592
Registered May 11, 1993

TRADEMARK
PRINCIPAL REGISTER

MICRO
COLORS

LASTING IMPRESSION I, INC (NEW JERSEY CORPORATION)
237 LIBERTY RD
ENGLEWOOD, NJ 07631

FOR: COLOR PIGMENTS, IN CLASS 2 (U.S. CL. 6).

FIRST USE 3-16-1992; IN COMMERCE 4-10-1992.

NO CLAIM IS MADE TO THE EXCLUSIVE RIGHT TO USE "COLORS", APART FROM THE MARK AS SHOWN.

THE DRAWING IS LINED FOR THE COLOR GREEN.

SER. NO. 74-280,488, FILED 6-1-1992.

ODETTE BONNET, EXAMINING ATTORNEY

Q
WITNESS: Story
DATE: 2-27-01 Rptr: MS
Clifton Strickland Reporters

Q

The United States of America

Nº 1769592

CERTIFICATE OF REGISTRATION

This is to certify that the records of the Patent and Trademark Office show that an application was filed in said Office for registration of the Mark shown herein, a copy of said Mark and pertinent data from the Application being annexed hereto and made a part hereof,

And there having been due compliance with the requirements of the law and with the regulations prescribed by the Commissioner of Patents and Trademarks,

Upon examination, it appeared that the applicant was entitled to have said Mark registered under the Trademark Act of 1946, as amended, and the said Mark has been duly registered this day in the Patent and Trademark Office on the

PRINCIPAL REGISTER

to the registrant named herein.

This registration shall remain in force for TEN years unless sooner terminated as provided by law.

In Testimony Whereof I have hereunto set my hand and caused the seal of the Patent and Trademark Office to be affixed this eleventh day of May 1993.

Michael K. Kirk

UNITED STATES DEPARTMENT OF COMMERCE
Patent and Trademark Office
ASSISTANT COMMISSIONER FOR TRADEMARKS
2900 Crystal Drive
Arlington, VA 22202-3513

REGISTRATION NO. 1769992 SERIAL NO. 74/280488 PAPER NO.

MARK: MICRO COLORS (AND DESIGN)

MAILING DATE: Jul 20, 1999

REGISTRANT: LASTING IMPRESSION I, INC.

CORRESPONDENCE ADDRESS:
LASTING IMPRESSION I, INC.
24 W SHEFIELD AVE
ENGLEWOOD NJ 07631

TMPRU

Please furnish the following in all correspondence

1. Your phone number and ZIP Code.
2. Mailing date of this action.
3. Affidavit-Renewal Examiner's name
4. Mark all correspondence to the attention of "PRU" using the above address.
5. Registration No.

RECEIPT IS ACKNOWLEDGED OF THE SUBMITTED REQUEST UNDER:

SECTION 8 OF THE TRADEMARK STATUTE AND 37 CFR SECS. 2.161-2.166.

SECTION 15 OF THE TRADEMARK STATUTE AND 37 CFR SECS. 2.167-2.168.

YOUR REQUEST FULFILLS THE STATUTORY REQUIREMENTS AND HAS BEEN ACCEPTED.

Patricia A. Everett

PATRICIA ANN EVERETT
AFFIDAVIT-RENEWAL EXAMINER
TRADEMARK EXAMINING OPERATION
(703) 308-9500 EXT 132

UNITED STATES DEPARTMENT OF COMMERCE
Patent and Trademark Office
ASSISTANT SECRETARY AND COMMISSIONER
OF PATENTS AND TRADEMARKS
Washington, D.C. 20231

NOTICE OF PUBLICATION UNDER 12(a)

1. Serial No.:
74/280,488

2. Mark:
MICRO COLORS
and design

3. Applicant:
LASTING IMPRESSION I, INC.

4. Publication Date:
FEB. 16, 1993

The mark of the application identified appears to be entitled to registration. The mark will, in accordance with Section 12(a) of the Trademark Act of 1946, as amended, be published in the Official Gazette on the date indicated above for the purpose of opposition by any person who believes he will be damaged by the registration of the mark. If no opposition is filed within the time specified by Section 13(a) of the Statute or by rules 2.101 or 2.102 of the Trademark Rules, the Commissioner of Patents and Trademarks may issue a certificate of registration.

Copies of the trademark portion of the Official Gazette containing the publication of the mark may be obtained at $9.50 each for domestic orders, or at $11.88 each for foreign orders from:

The Superintendent of Documents
US Government Printing Office
Washington,D.C 20402

By direction of the Commissioner

U.S. Trademark Electronic Search System (TESS)

TESS was last updated on Thu Feb 22 04:10:35 EST 2001

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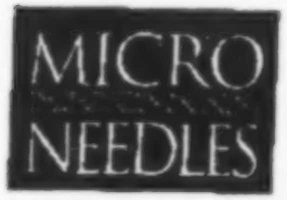
Start List At: OR Jump to record: **Record 11 out of 28**

Check Status *(TARR contains current status, correspondence address and attorney of record for this mark. Use the "Back" button of the Internet Browser to return to TESS)*



Word Mark	MICRO NEEDLES
Goods and Services	IC 010. US 044. G & S: micropigmentation supplies, namely surgical needles for reconstructive coloration for use in cosmetic plastic surgery. FIRST USE: 19930216. FIRST USE IN COMMERCE: 19930301
Mark Drawing Code	(3) DESIGN PLUS WORDS, LETTERS, AND/OR NUMBERS
Design Search Code	261120 261121
Serial Number	74394142
Filing Date	May 24, 1993
Published for Opposition	November 1, 1994
Registration Number	1876475

R
WITNESS: Storey
DATE: 2·23·01 [illegible]
Clifton Strickland Reporters

R

Registration Date	January 31, 1995
Owner	(REGISTRANT) **LASTING IMPRESSION** I, INC. CORPORATION NEW JERSEY 237 Liberty Rd. Englewood NEW JERSEY 07631
Prior Registrations	1763592;1769592
Disclaimer	NO CLAIM IS MADE TO THE EXCLUSIVE RIGHT TO USE "MICRO NEEDLES" APART FROM THE MARK AS SHOWN
Description of Mark	The mark is lined for the color green but color is not claimed as part of the mark.
Type of Mark	TRADEMARK
Register	PRINCIPAL
Affidavit Text	SECT 15. SECT 8 (6-YR).
Live/Dead Indicator	LIVE

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Curr List | Next List | First Doc | Prev Doc | Next Doc | Last Doc

Thank you for your request. Here are the latest results from the TARR web server.

Serial Number: 74394142

Registration Number: 1876475

Mark

MICRO
NEEDLES

(words only): MICRO NEEDLES

Current Status: Section 8 and 15 affidavits have been accepted and acknowledged.

Date of Status: 2001-02-01

Filing Date: 1993-05-24

Registration Date: 1995-01-31

Law Office Assigned: TMEO Law Office 11

CURRENT APPLICANT(S)/OWNER(S)

1. LASTING IMPRESSION I, INC.

GOODS AND/OR SERVICES

micropigmentation supplies, namely surgical needles for reconstructive coloration for use in cosmetic plastic surgery

PROSECUTION HISTORY

2001-02-01 - Section 8 (6-year) accepted & Section 15 acknowledged

2001-01-30 - Response received to Post Registration action - Sections 8 & 15

2001-01-10 - Post Registration action mailed Section 8 & 15

2000-09-22 - (NOT AVAILABLE)

1995-01-31 - Registered - Principal Register

1994-11-01 - Published for opposition

1994-09-30 - Notice of publication

1994-06-21 - Approved for Pub - Principal Register (Initial exam)

1994-06-13 - Examiner's amendment mailed

1994-06-09 - Previous allowance count withdrawn

1994-06-01 - Approved for Pub - Principal Register (Initial exam)

1994-05-26 - Examiner's amendment mailed

1994-05-02 - Response to office action

1994-04-13 - Response to office action

1993-10-14 - Non-final action mailed

1993-09-23 - Case file assigned to examining attorney

1993-08-31 - Case file assigned to examining attorney

CONTACT INFORMATION

Address:
LASTING IMPRESSION I, INC.
237 LIBERTY RD.
ENGLEWOOD, NJ 07631
US

MICRO
COLORS

S-1
WITNESS: Story
DATE: 2-23-01 Rptr: MLS
Clifton Strickland Reporters

MICRO
PEN

The drawing is lined for the color green

S-2
WITNESS: Story
DATE: 2-23-01 Rptr: MLS
Clifton Strickland Reporters

MICRO
NEEDLES

S-3
WITNESS: Story
DATE: 2.23.01 Rptr: MLS
Clifton Strickland Reporters

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microcolor
PIGMENTS
chart

S-4
WITNESS: Story
DATE: 2.23.01 Rptr: MLS
Clifton Strickland Reporters

K.P.

Make-Up Inc.

S-5
WITNESS: Stort
DATE: 2-23-01 Rptr: MLS
Clifton Strickland Reporters

MOSTY®
COLORS/U.S.A.

The finest high quality colors available in todays industry for maximum performance.

The last permanent make-up unit that you will ever need to purchase.

Made in U.S.A.

- ■ **B-1 Dark Brown**
- ■ **B-2 Brown**
- ■ **B-3 Light Brown**
- ■ **B-4 Golden Brown A**
- ■ **B-5 Golden Brown B**
- ▨ **B-6 Golden Brown C**
- ■ **B-7 Brown Red A**
- ■ **B-8 Brown Red B**
- ▨ **B-9 Taupe**
- ■ **B-10 Green Gold**
- ■ **-11 Black**
- ■ **-12 Gray A**

- ■ **L-1 Burgundy**
- ■ **L-2 Crimson Red**
- ■ **L-3 Red**
- ■ **L-4 Peach**
- ▨ **L-5 Coral Red**

- ▨ **P-1 Pink A**
- ☐ **P-2 Pink B**
- ▨ **M-1 Yellow A**
- ☐ **M-2 Yellow B**
- ☐ **M-3 White**

- ■ **F-1 Green A**
- ■ **F-2 Green B**
- ■ **F-3 Blue A**
- ■ **F-4 Blue B**
- ■ **F-5 Purple**
- ▨ **F-6 Lavender**
- ☐ **T-1 Pale Beige**
- ☐ **T-2 Natural Beige**
- ☐ **T-3 Sand Beige**
- ☐ **T-4 Rose Beige**
- ☐ **T-5 Chamois Beige**
- ▨ **T-6 Clay Beige**

PENGAD-Bayonne, N.J.
PLAINTIFF'S
EXHIBIT NO. U
FOR IDENTIFICATION
McKinstry
DATE: 2/26/01 RPTR: PJ

11-1

JA225

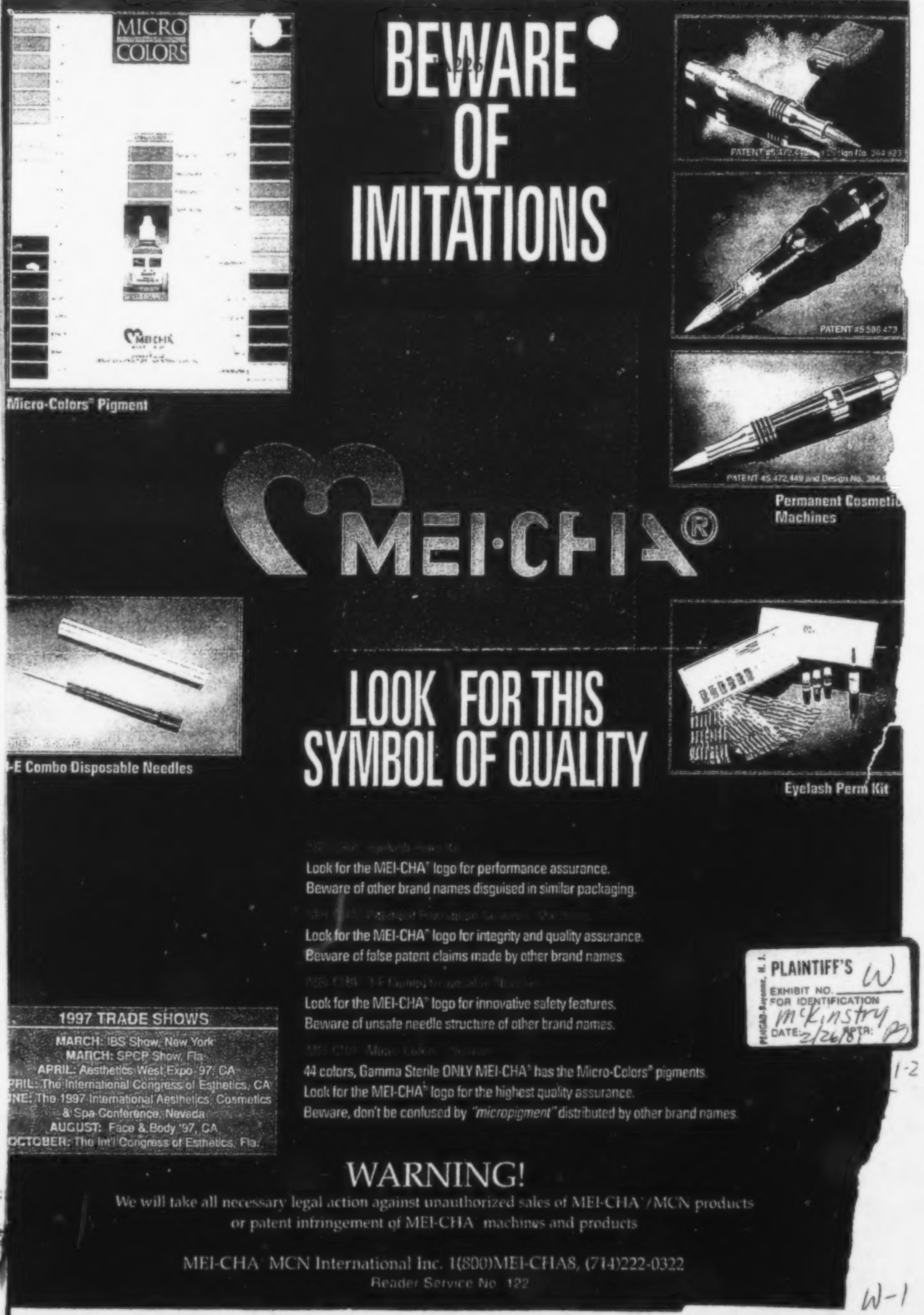
MEI BEAUTY PRODUCTS, INC.

14991 S. SIERRA BONITA LANE
CHINO, CA 91710
TEL (909) 597-8206 FAX (909)597-5950

PRICE LIST

ITEMS		RETAIL PRICE	SHOW PRICE
MOSTY PERMANTENT MAKE-UP MACHINES:			
TH-2001 PERMANENT MAKE-UP KIT		$145.00	$105.00
TH-2002 PERMANENT MAKE-UP MACHINE & ADP.		$125.00	$100.00
TH-2003 PERMANENT MAKE-UP MACHINE ONLY		$100.00	$ 75.00
TH-2004 MOSTY ADAPTER 110/220 VOLT		$ 13.00	$ 8.00
MOSTY ACCERSORIES			
TH-2021 NEEDLE COVER	5PCS/PKG	$12.00	$8.00
TH-2022 NEEDLE TIPS	50PCS/PKG	$20.00	$15.00
TH-2023 NEEDLE HOLDER	5PCS/PKG	$15.00	$10.00
MOSTY NEEDLES			
TH-3001 M-SINGLE NEEDLE	10 PCS/PKG	$15.00	$12.00
TH-3002 M-DOUBLE NEEDLE	10 PCS/PKG	$18.00	$14.00
TH-3003 M-TRIPLE NEEDLE	10 PCS/PKG	$20.00	$18.00
TH-3005 M-FIVE NEEDLE	10 PCS/PKG	$25.00	$20.00
NEEDLE			
N-3011 SINGLE NEEDLE	50PCS/PKG	$20.00	$15.00
N-3012 DOUBLE NEEDLE	50PCS/PKG	$40.00	$35.00
N-3013 TRIPLE NEEDLE	50PCS/PKG	$50.00	$40.00
PIGMENTS			
TH-5000 MOSTY COLOR PIGMENTS-15cc 34 COLORS SEE COLOR CHART		$15.00	$8.00
TH-5001 MOSTY MICROPIGMENT -15cc 34 COLORS SEE COLOR CHART		$25.00	$15.00
TH-6001 PRACTICE SKIN MATERIAL		$10.00	$8.00
TH-6002 PIGMENT CONTAINERS		$20.00	$15.00
TH-6003 PIGMENT HOLDER		$10.00	$8.00
TH-6005 COLOR RING		$5.00	$3.00
TH-6006 ANESTHETIC LOTION		$75.00	$60.00
TH-6007 EYELASH PERM KIT		$75.00	$60.00
NEW ITEM			
MANUAL PEN KIT INCLUDES 6 COLORS, MANUAL PEN, DILUTE SOLUTION, NEEDLES, COLOR RING, CONTAINER		$140.00	$100.00

JA226


MICRO COLORS
MEI-CHA
PATENT #5,472,44[illegible] Design No. 364,923
PATENT #5,586,473
PATENT #5,472,449 and Design No. 364,9
MEI-CHA®

BEWARE OF IMITATIONS

Micro-Colors™ Pigment

Permanent Cosmetic Machines

-E Combo Disposable Needles

Eyelash Perm Kit

LOOK FOR THIS SYMBOL OF QUALITY

[illegible]
Look for the MEI-CHA® logo for performance assurance.
Beware of other brand names disguised in similar packaging.

[illegible]
Look for the MEI-CHA® logo for integrity and quality assurance.
Beware of false patent claims made by other brand names.

[illegible]
Look for the MEI-CHA® logo for innovative safety features.
Beware of unsafe needle structure of other brand names.

[illegible]
44 colors, Gamma Sterile ONLY MEI-CHA® has the Micro-Colors® pigments.
Look for the MEI-CHA® logo for the highest quality assurance.
Beware, don't be confused by *"micropigment"* distributed by other brand names.

1997 TRADE SHOWS

MARCH: IBS Show, New York
MARCH: SPCP Show, Fla.
APRIL: Aesthetics West Expo '97, CA
PRIL: The International Congress of Esthetics, CA
NE: The 1997 International Aesthetics, Cosmetics & Spa Conference, Nevada
AUGUST: Face & Body '97, CA
OCTOBER: The Int'l Congress of Esthetics, Fla.

PLAINTIFF'S EXHIBIT NO. W
FOR IDENTIFICATION
McKinstry
DATE: 2/26/87 RPTR:

WARNING!

We will take all necessary legal action against unauthorized sales of MEI-CHA®/MCN products or patent infringement of MEI-CHA® machines and products

MEI-CHA® MCN International Inc. 1(800)MEI-CHA8, (714)222-0322
Reader Service No. 122

1-2

W-1

An Aromatherapy Purifying Facial

Invite your client to sit back, relax, and enjoy.

Time: 55 minutes

Problem: Oily/shiny skin, oily/dehydrated skin due to climate or use of alkaline soaps/detergents, presence of comedones.

Solution: Deep pore cleansing treatment

Benefits: Elimination of clogged pores, shine control, deep cleansing, purification of skin, reduction of stress.

Frequency: Once per week for 8 weeks.

Treatment

1. Offer the client a nutritional supplement.
2. Before any treatment, sanitize hands with an antibacterial hand wipe.
3. Remove eye makeup using premoistened pads. Follow with warm, wet cotton pads to remove residue.
4. Apply a creamy seaweed based cleanser for oily/combination skin to the face and neck. The face is gently cleansed using a rotating brush for three minutes. Use soft, moist cotton pads to remove cleanser from skin.
5. Take a spoonful of herbal massage cream in your hand or a glass bowl, add one drop of a purifying and calming essential oil, mix and begin full massage. Three massage techniques will be utilized to stimulate, relax and soothe: *Petrissage, tapotement and effleurage.*
6. Turn on the aromatic steamer equipped to add essential oils to the mist, as they are being emitted from the machine. You do not want to add the oils to the water basin as the oil will build up and clog many machines.

   After a 10-minute massage, remove the excess massage cream by patting with a tissue.
7. Apply a gentle exfoliating scrub, gently working it into the face and neck. This step helps with removal of deep-rooted makeup and grime, and reveals softer, smoother skin. The steamer is still used during this step.
8. Turn off the steamer. Use an antibacterial hand wipe to sanitize your hands, and put on latex gloves. Take tissue and begin to extract comedones. This procedure should not exceed 10 minutes.
9. Following extraction, wet a cotton square with a soothing, balancing lotion for oily skin and apply to treated area.
10. Now that the client is relaxed and rejuvenated, use a spatula to apply a mud mask to the face and neck; leave on for 7 minutes. Remove the mask with wet cotton pads or sponge.
11. Apply a calcium-and-calamine-based mask, freshly mixed with buttermilk. The fresh buttermilk provides a natural lactic acid that will further exfoliate the skin while the calcium and calamine will gently soothe the skin. After 10 minutes, remove mask with a moistened cotton pad or sponge.
12. End the facial with an application of eye cream if needed, and be sure to apply a sunscreen to the client.

Lydia Sarfati of Repechage created this treatment for clients with oily/combination skin. As the name implies, this treatment has hydrating, soothing, balancing, and nourishing benefits with the added bonus of a relaxing aromatherapy session. Call her at 800-248-SKIN.

K.P. PERMANENT MAKE-UP
MICROCOLOR: BLACK 1 (Soft Black)
Contains: Iron Oxide and Alcohol.
LOS ANGELES, CA 90012
NON TOXIC (SHAKE WELL)

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Congratulations! You have just made a worthwhile investment in your quest for perfect color matching and flawless pigment application techniques. ***The Ultimate Guide to Pigments*** *will give you the key to mastering your knowledge of color blending and mixing, necessary for both cosmetic and reconstructive pigmenting .*

All ***Micro-Colors®*** *inorganic pigment are created with an Iron-Oxide base, to reduce the probability of allergic reaction. Iron-Oxide also allows for less migration once inserted into the skin. Most colors are available in several convenient sizes to perform procedures such as cosmetic eyeliner, lips and reconstructive procedures; including scars, burns, vitiligo, nipple areola, etc.*

Micro-Colors® *is gamma-sterilized and every manufacturing batch is date, lot coded and hand-inspected for color consistency. We are proud to produce* ***Micro-Colors®*** *with strict quality control for your safety and protection.*

Micro-Colors® *is now available in 80 shades to match over 300 skin tones. To enable you to fully understand the usage of this superior pigment,* ***The Ultimate Guide to Pigments*** *was created to provide you with a simple understanding of pigment undertones. Special thanks and gratitude go to Alfredo Gonzalez, Kenya Lopez and Mario Gisbert whose uncompromising dedication to perfection was invaluable in producing* ***The Ultimate Guide to Pigments****. Without their efforts, it would not be the success that it is today.*

We know that ***The Ultimate Guide to Pigments*** *will help in your endeavor to expand your knowledge of color. Our hope is that your micropigmentation skills as well as your confidence in performing successful procedures is enhanced and complimented by usage of* ***Micro-Colors®*** *products.*

Sincerely,

Darlene Story
President
Lasting Impression, Manufacturer of ***Micro-Colors®***

MICRO COLORS
Beige 6
MICRO COLORS
Beige 6

Micro-Colors®
Helpful Hints Guide

Permanent Cosmetic Procedure

Information contained in this booklet is specifically for
Micro-Colors® pigment use only.
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MEICHA
by MCN International

MICRO-COLORS® Pigment

MICRO COLORS
MEICHA
MICRO COLORS
Gamma Sterilized
Made in USA
Red Lip Liner 3
12cc
Distributed by
MCN International Inc.
Irvine, CA U.S.A.

80 Pigment Colors to Match Over
300 Skin Tones
For Cosmetic & Paramedical Procedures

- Iron oxide base *
- No evaporation or splatter
- Same consistency and color every batch
- Contains no water
- Minimum particle size is 6 microns
- Gamma sterilized
- Lot & date coded to assure quality and freshness
- Widely used in medical and cosmetic industry
- Made in USA
- 12cc size
- Ingredient list on label
- Made with FDA approved ingredients for cosmetic use

-COLORS® Pigment

:kup that isn't easy and painless to do isn't normally ıe at all. Murphy's Law is in firm control here, and you ' lose your data at *the* most disastrous time. Disasters do ur, so guard against it.

Colorado Tape Drive Systems make a reasonably priced · of small tape drives. Match the capacity of a single : to the capacity of your hard disk. If you have a 120 ;abyte hard drive, don't skimp and try to get away with ' megabyte tape drive, figuring you'll change tapes dur- the backup sequence. The best backups are ones that 'un when everyone is off of the system, and good tape : software is normally included ("bundled") with the drive hardware.

ook for software that allows you to run an unattended up during the middle of the night. Bundled software ı includes a timer routine that allows you to set up the up routine once and forget about it after that except ıanging the tapes in the morning before you open system for business.

ıckup on a regular basis rotating at least three backup a (the tapes). (At Allured Publishing, we use five for Iacintosh PCs and nine for our Wang system. We ıp both systems nightly at 11 PM.) How often you d backup depends on how much information passes gh your system on a regular basis. Remember that the way to recover data that isn't backed up is to put it nto your system. Therefore you must make your fre- y of backup decision based on how much data you ford to re-enter manually.

ou are running a cash-register type of applications m or a sophisticated accounting system with several ed transactions daily, by all means backup daily. If e doing less volume and feel that you can comfort- :t the data back into your system in an hour or less, ou might be able to get away with a backup every three days. Most importantly, remember that if it's cked up, it's not safe, so let your best business sense r guide.

st tape drive instructions contain information about do a generational backup program. Using three nt tapes assures that if one of the tapes breaks or is ve, you won't be left out in the cold. The odds of ppening to two different tapes (leaving you totally on your third) are nearly impossible.

e sure that at least once a month you store a tape Some salon owners take a tape home with them on y evening, working the previous home tape back rotation the following Tuesday morning. This gainst not only a data disaster (hard drive failure, ack) but also against salon disasters like fire, floods . It does no good to have tapes and an otherwise al computer system with all your vital business on it if they are all destroyed by the same overhead t bursts late one night.

ly pays to be familiar with not only the backup e required by your backup device, but also to be with the recovery procedure. It doesn't hurt to the recovery process at a time when the continua- our salon's business does *not* depend upon it.

ast resort, if you ignore the advice to backup regu- re are data recovery services that can reconstruct

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Circle Reply No. 78

TREATMENT ROOM CLEAN-DOWN

Carol Chaney Withers, owner of A Perfect Face in Ocean City, Maryland, is a strong advocate of following strict sanitation procedures in her salon. The following is the step-by-step method she and her staff perform between clients:

1. Remove soiled linen and replace with fresh.
2. Wipe off all bottles, tubes and so on, and tighten caps.
3. Sanitize all equipment including lamps, steamer arms and trolley carts.
4. Fill up steamer and restock supplies.
5. Make sure everything that has touched the skin is either sterilized or thrown away.
6. Empty trash after every client and make sure the waste basket liner is clean or replace with new one.
7. Clean up room promptly after you have finished and followed up out front with your client.

were often overwhelmed by the number of massage options listed on her treatment menu. Several of the Washington Redskins football players are clients and Withers began "Energy Balancing" to relax them when they arrive at the salon, and as an introduction to other massage services.

The #1 service for women is still facials. Individual service prices range from a 30-minute mini-facial costing $35 to the ultimate "Four-Handed Russian Massage" for $110. This new service lasts 70 minutes. Steps have been worked out and choreographed by staff members trained in massage. The initial steps are those learned at an esthetics trade show which Withers attended and from the video purchased there. The choreography has been fine-tuned between the massage artists. Soft, classical and soothing music, often featuring piano, is played during the massage.

A full Day of Beauty, including computerized nutritional analysis and a light fare lunch costs $250.

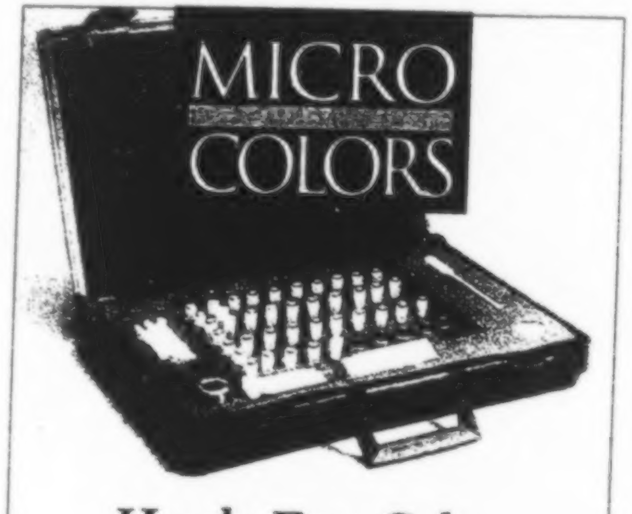
The concept toward products at A Perfect Face is to offer the very best of a complete range for every need. The basic product line is René Guinot (Paris) both for treatments and for retail. Other product lines include Phytomer, a French line of body products; the Karin Herzog line of skin care products from Switzerland; Mustela, a French line of baby and children's products; Minneapolis-based Aveda makeup products; Gerda Spillmann (Switzerland) foundation; Botanicals bath and accessories by Smith & Van Diver (Watsonville, California); and the Dr. Murad glycolic acid product line (Los Angeles).

A typical client in the salon is in her 30s. She realizes that skin care is not a luxury, but part of body and facial maintenance. The typical client is a business person interested in image, and pursuing a career as a professional. Most are middle to upper middle class, and 80% of them are female. The male segment of the clientele is growing, and schedule more often on weekends, especially Sundays.

PLANNING FOR THE FUTURE

What's in store for A Perfect Face? Well, maybe another salon in the next few years. Withers would like to have another location in the south, where the business would be more year-round, not so affected by resort season. The facility will also be a day spa, but larger, with more room for high-tech treatments. She'd like to have room to incorporate exercise classes such as aerobics. The theme, logo, colors and the decor will stay the same, but the services, staff, equipment and products will expand. The location could well include a hair salon, but as a separate entity side-by-side. In all probability, the nail service area will expand.

In the long range? Maybe another two-to-three salons. Withers realizes that expansion means that she will not be able to control so directly. But she feels that her greatest asset to success is her staff and she would like to see an opportunity for them to be in management situations and in positions of greater challenge. She's beginning a weaning process from her clients leading to a greater management role so she can adjust to less of a "hands-on" team member and more of a mentor and manager. She realizes that her management style will undergo a metamorphosis and is already researching the classes and courses that can best help her do that.



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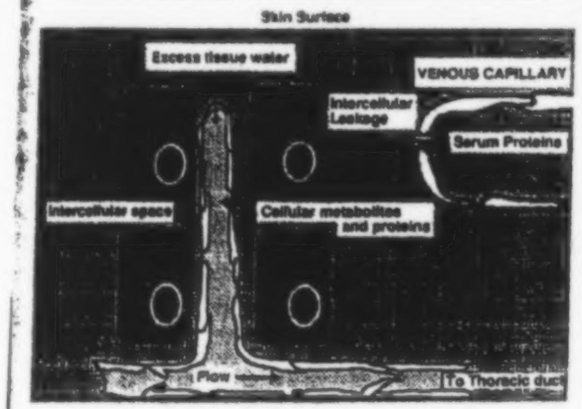

Figure 4. The normal osmotic relationships in the tissues. Notice that a normal amount of protein leakage from the venous capillaries can be easily handled by the lymphatic vessels. Normal tissue pressure and normal flow must also be present.

the lymphatic system and is carried to the lymphatic nodes by the lymphatic vessels. Within the lymph nodes some of these cells and the protein they ingest are destroyed while other cells and proteins are returned to the bloodstream. Many essential enzymes are returned to the bloodstream by this route. No one really knows what is actually happening inside the lymph node with any great degree of certainty. We know that some immune processing takes place, but beyond that we are operating in the dark.[6]

Osmosis: The force that moves fluids—A very basic concept in understanding the movement of tissue fluid into the lymphatic system is the concept of osmotic pressure. When two fluids of different concentrations are separated by a semipermeable membrane, they will have a tendency to become equal in concentration on both sides of the membrane. For example, if you place a concentrated solution of sugar, such as molasses, in a cellophane bag and place it in water, it will "pull" water into the bag until it reaches a certain concentration of water. Since the sugar molecules cannot get out of the bag, they serve as the high concentration inside the bag, but the water is in high concentration on the outside of the bag, so it will move into the bag where it is in low concentration. The principle is: substances will move from an area of high concentration to an area of low concentration. Since the proteins in the bloodstream are higher in concentration than they are in the tissues, they will move first into the tissues and then into the lymph vessels.[7]

Problems of the skin associated with the lymphatic system—As long as the pressure within the tissue is normal, the protein content of the blood is normal and there is no obstruction to lymph flow, the lymphatic system works very well. However, if only one of these three conditions is changed, the system will fail. Let us look at each of these conditions to see what actually happens when changes occur.

Continuous external pressure—Pressure increases in the tissue from forces outside of the body will result in a compression of the cells and intercellular spaces with a resultant decrease in lymph flow. The lymphatic vessels are

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OUR FILE NO.:
578-00091303

September 13, 2000

VIA 1ST CLASS U.S. MAIL AND CERTIFIED MAIL Z 159 171 297

Ms. Nicole Torres
Tattooing International
1500 S.E. 3rd Street
Pompano Beach, FL 33060

RE: "MICRO COLORS" TRADEMARK
USPTO REG. NO.: 1,769,592
OUR CLIENTS: MCN INTERNATIONAL AND
LASTING IMPRESSION, INC.

Dear Ms. Torres:

Receipt of your letter dated Sept. 5, 2000 is hereby acknowledged. A true copy is enclosed.

Your letter is not one hundred percent clear. If Tattooing International's intention is not to use the mark MICRO COLORS ever again, please sign below to acknowledge TATTOOING INTERNATIONAL'S intention.

Your cooperation is sincerely appreciated. Kindly provide this signed letter by no later than Sept. 25, 2000.

Very truly yours,

CHARLES C.H. WU & ASSOCIATES
A PROFESSIONAL CORPORATION

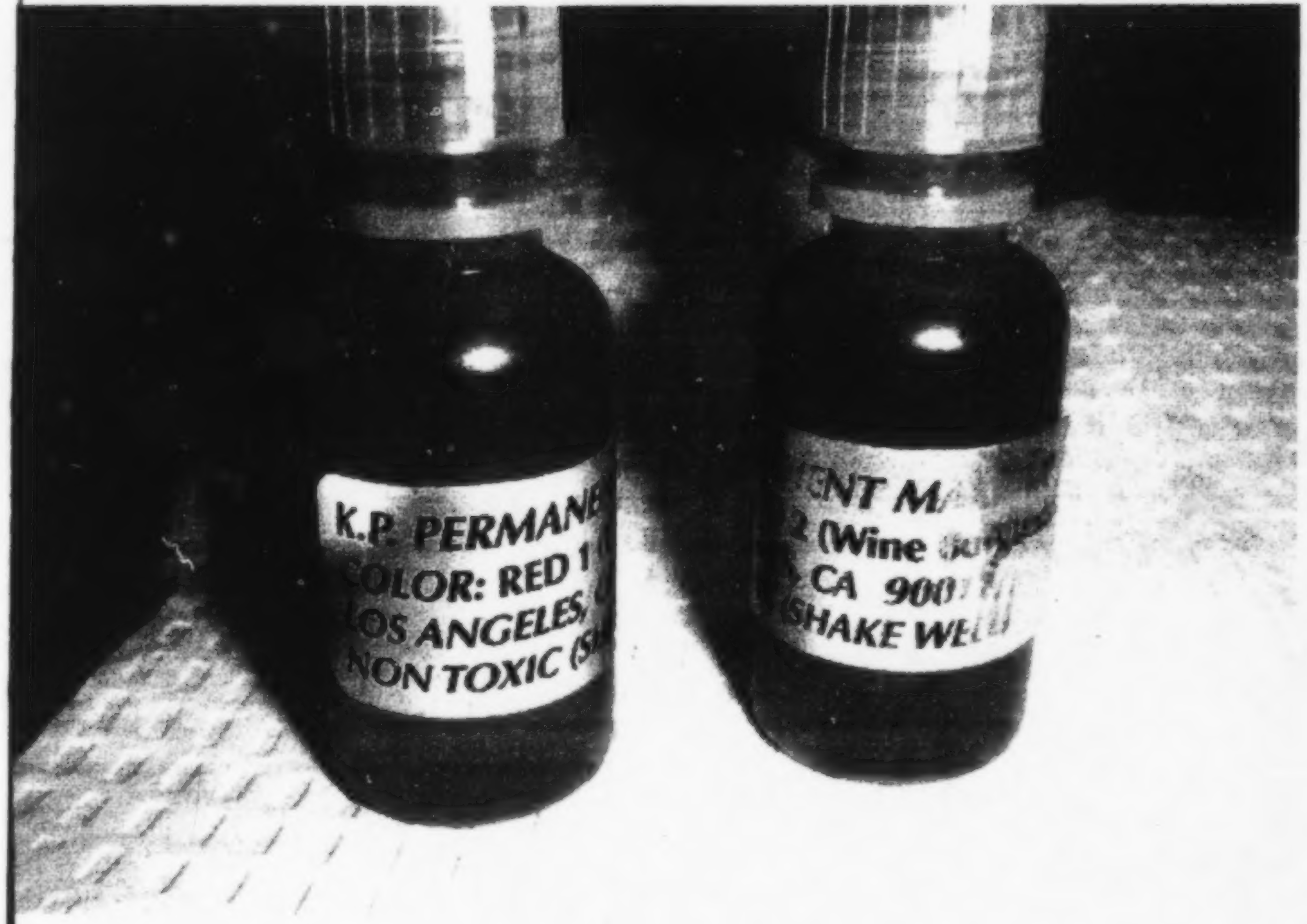
By: CHWu
Charles C.H. Wu, Esq.

CW:ss
Encl.

TATTOOING INTERNATIONAL, its staff and its subsidiaries, hereby promise and covenant that they will not use the mark MICRO COLORS or any mark similar thereto in its course of business or personal affairs.

Dated: Sept 18 2000

N Torres
NAME: Nicole Torres
TITLE: owner



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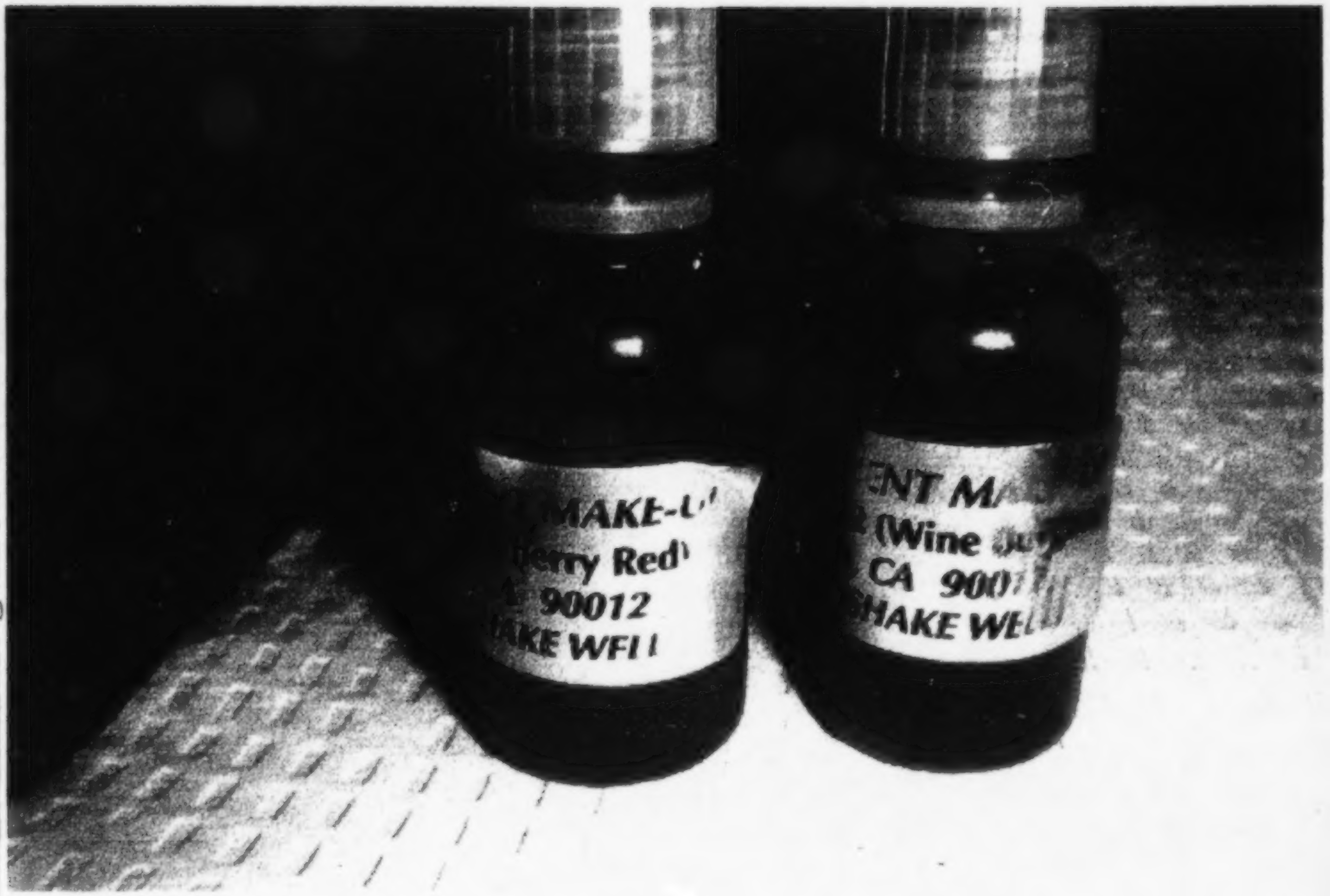
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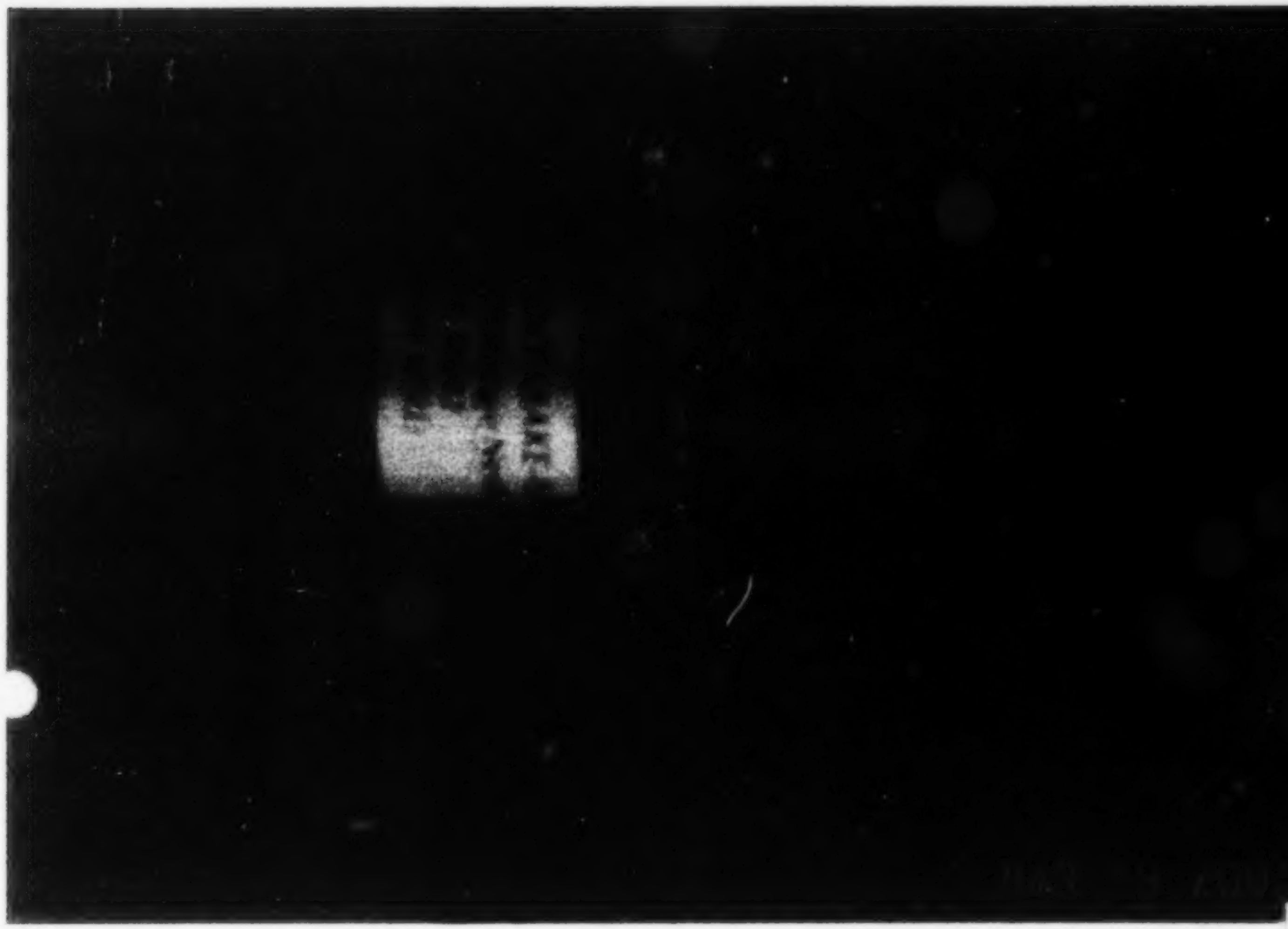

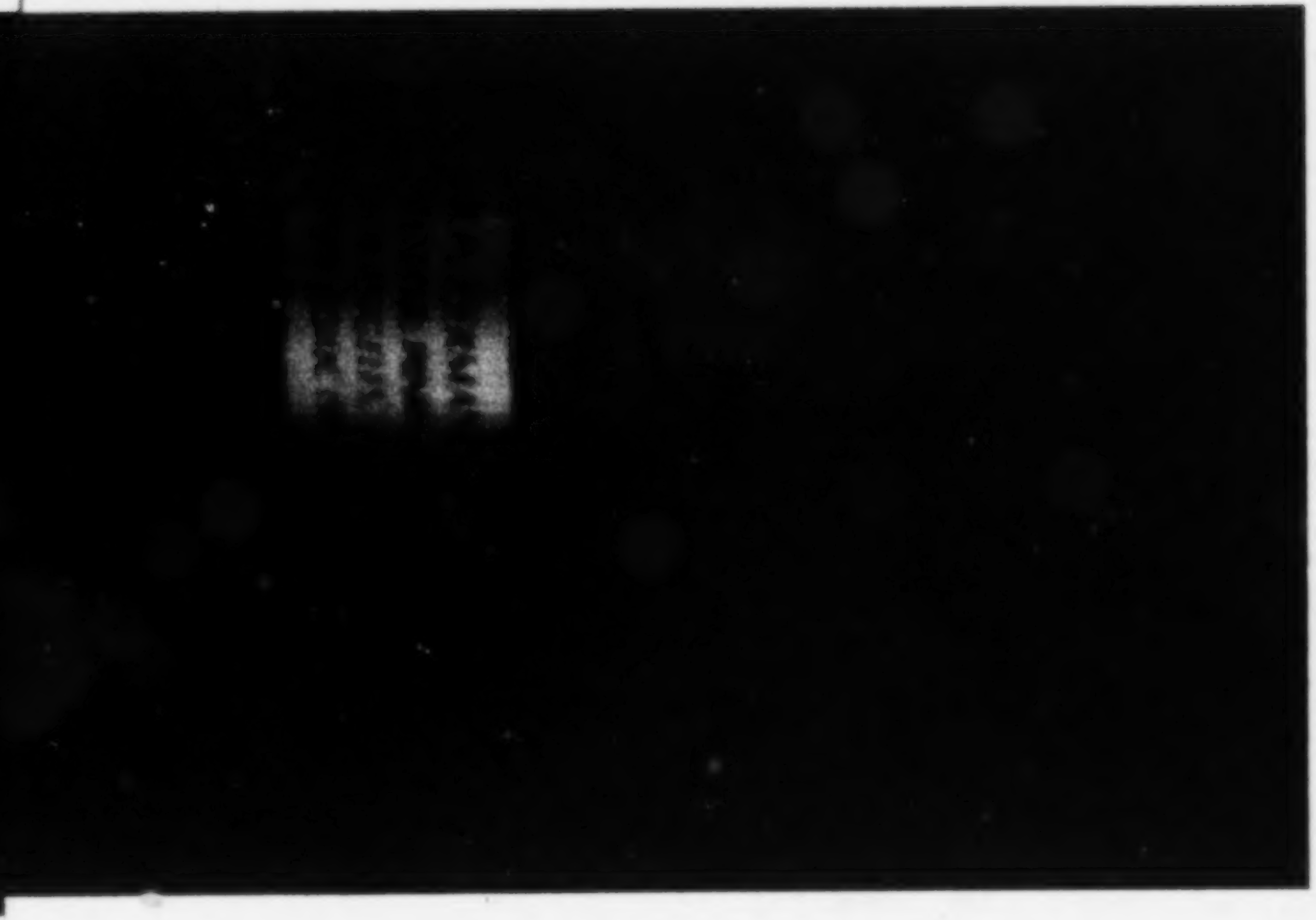

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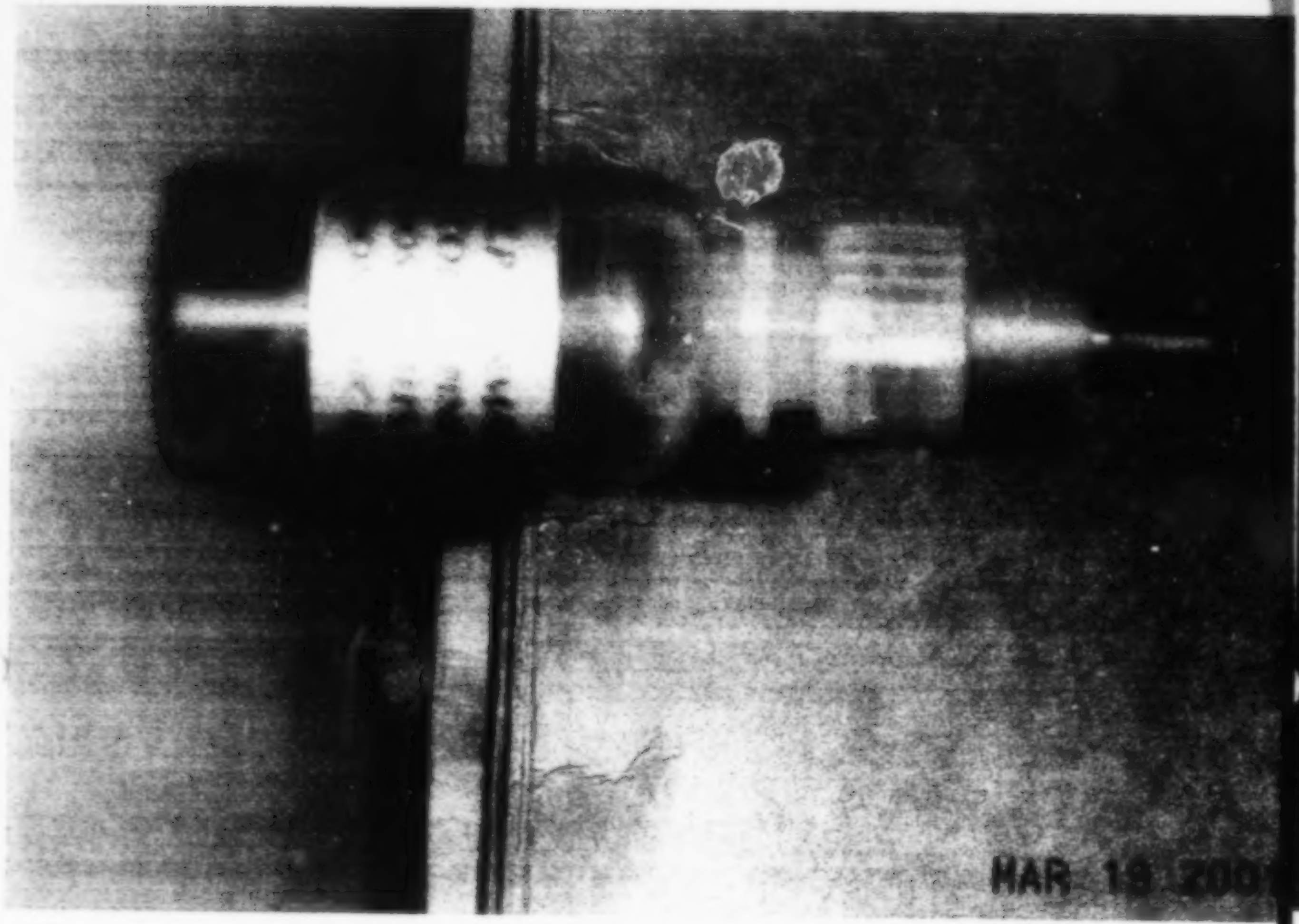
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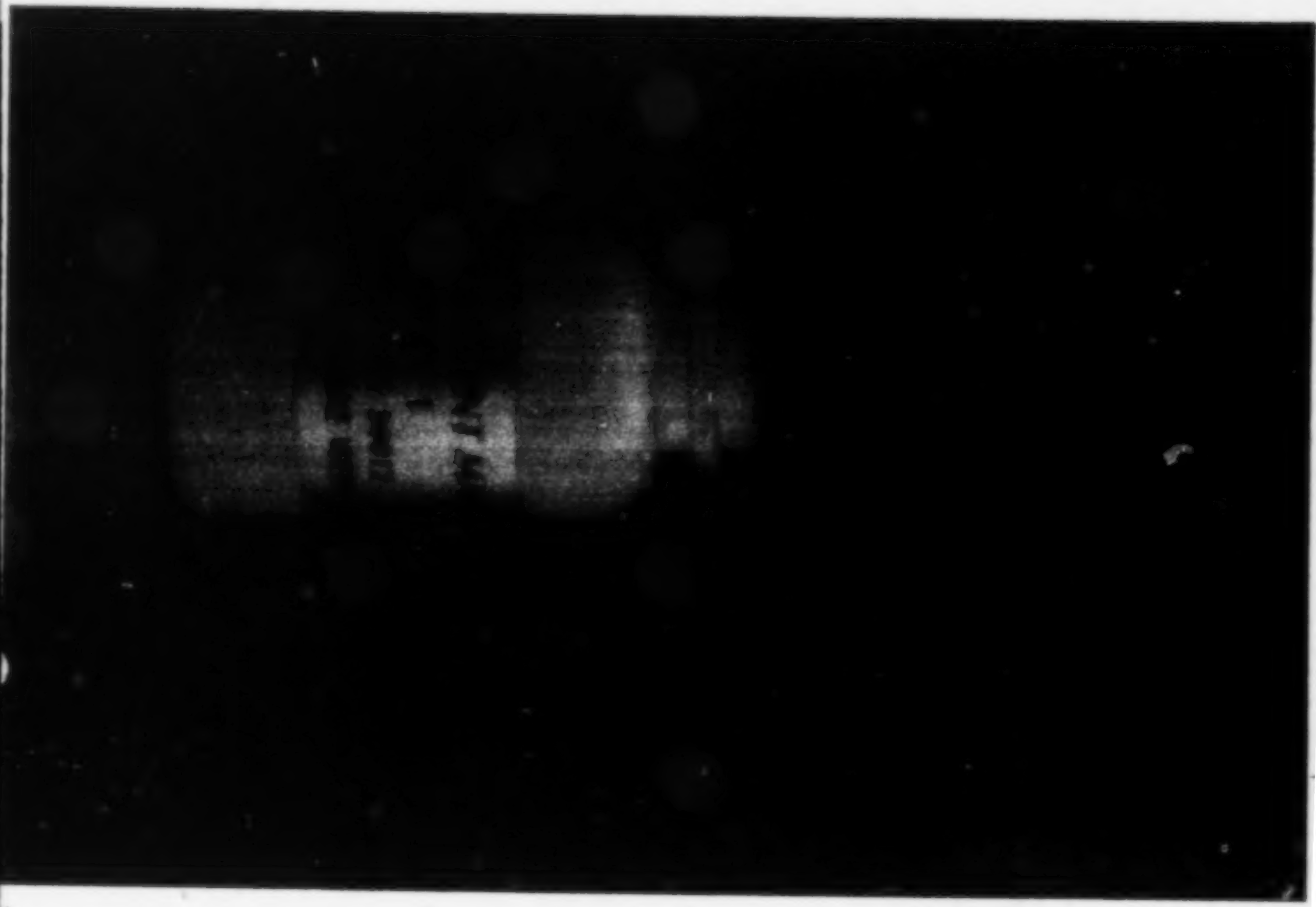

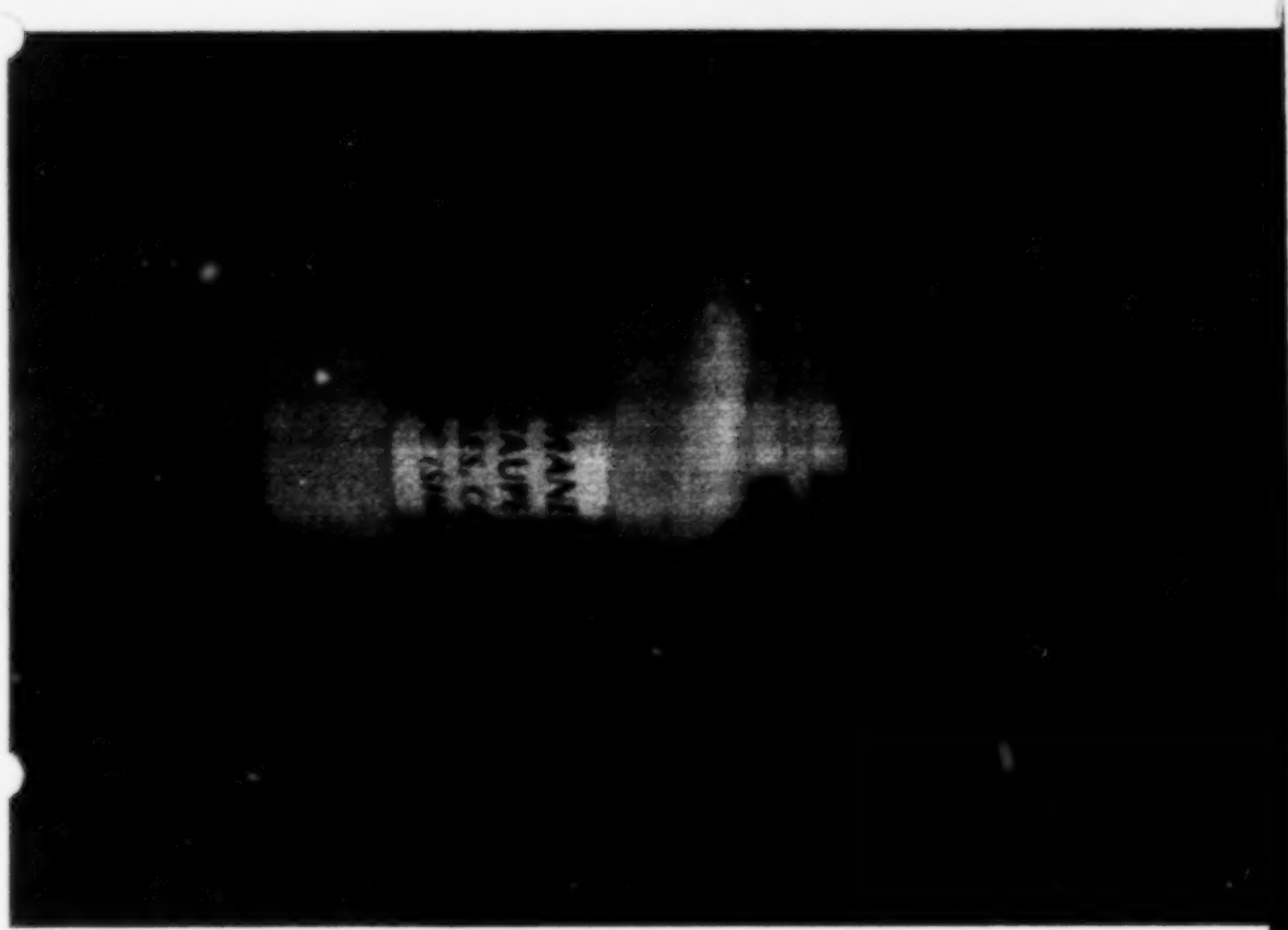

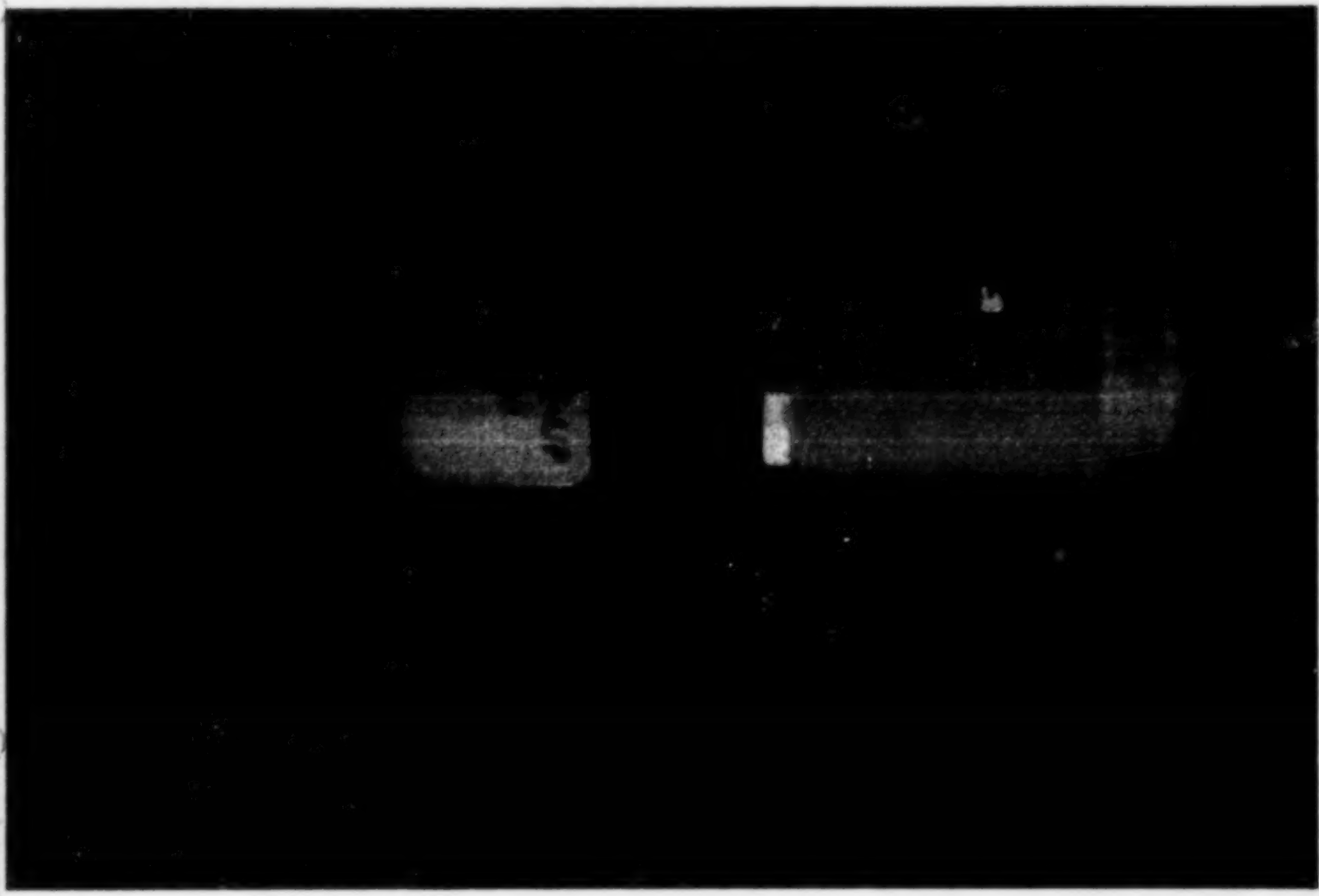

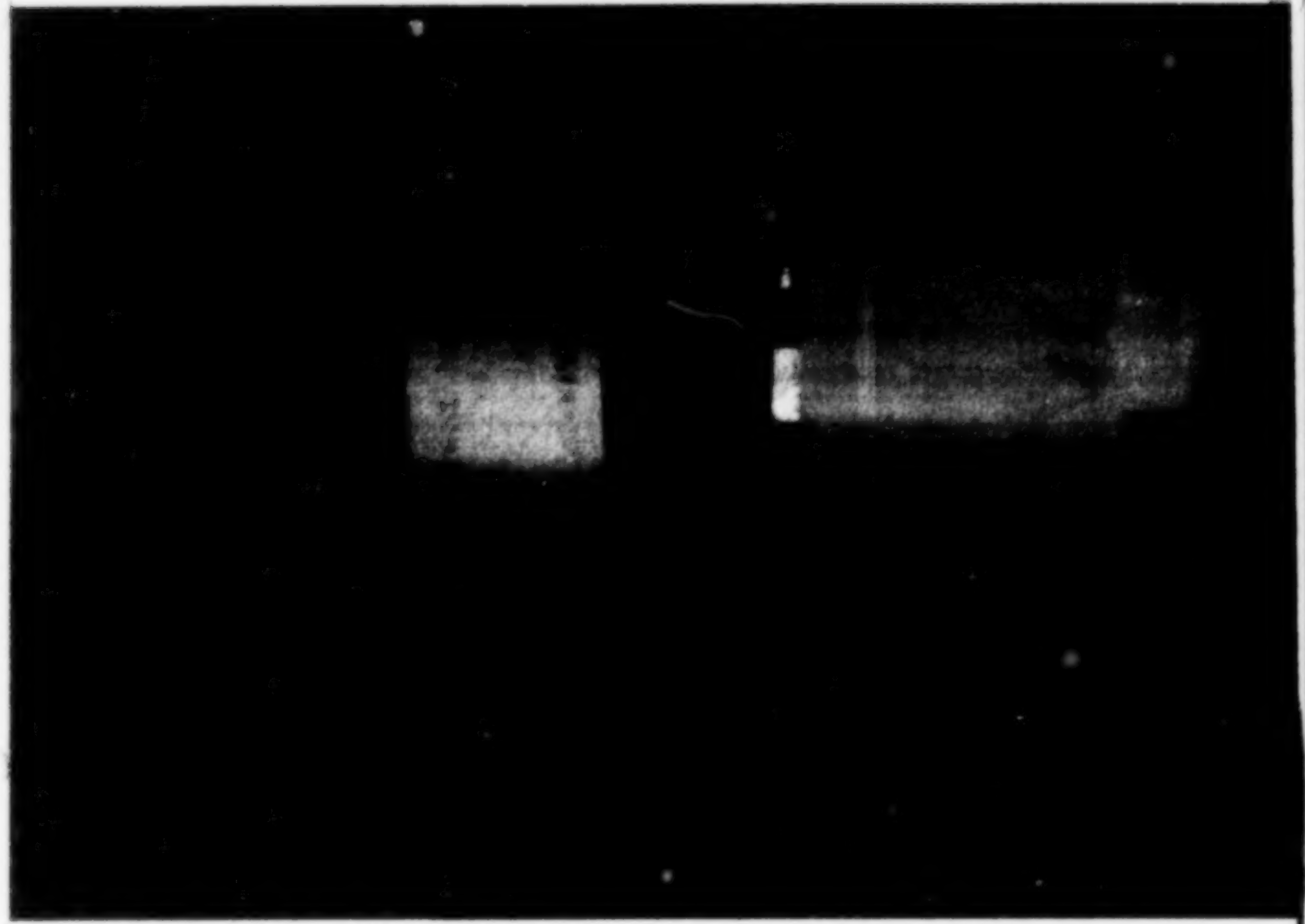

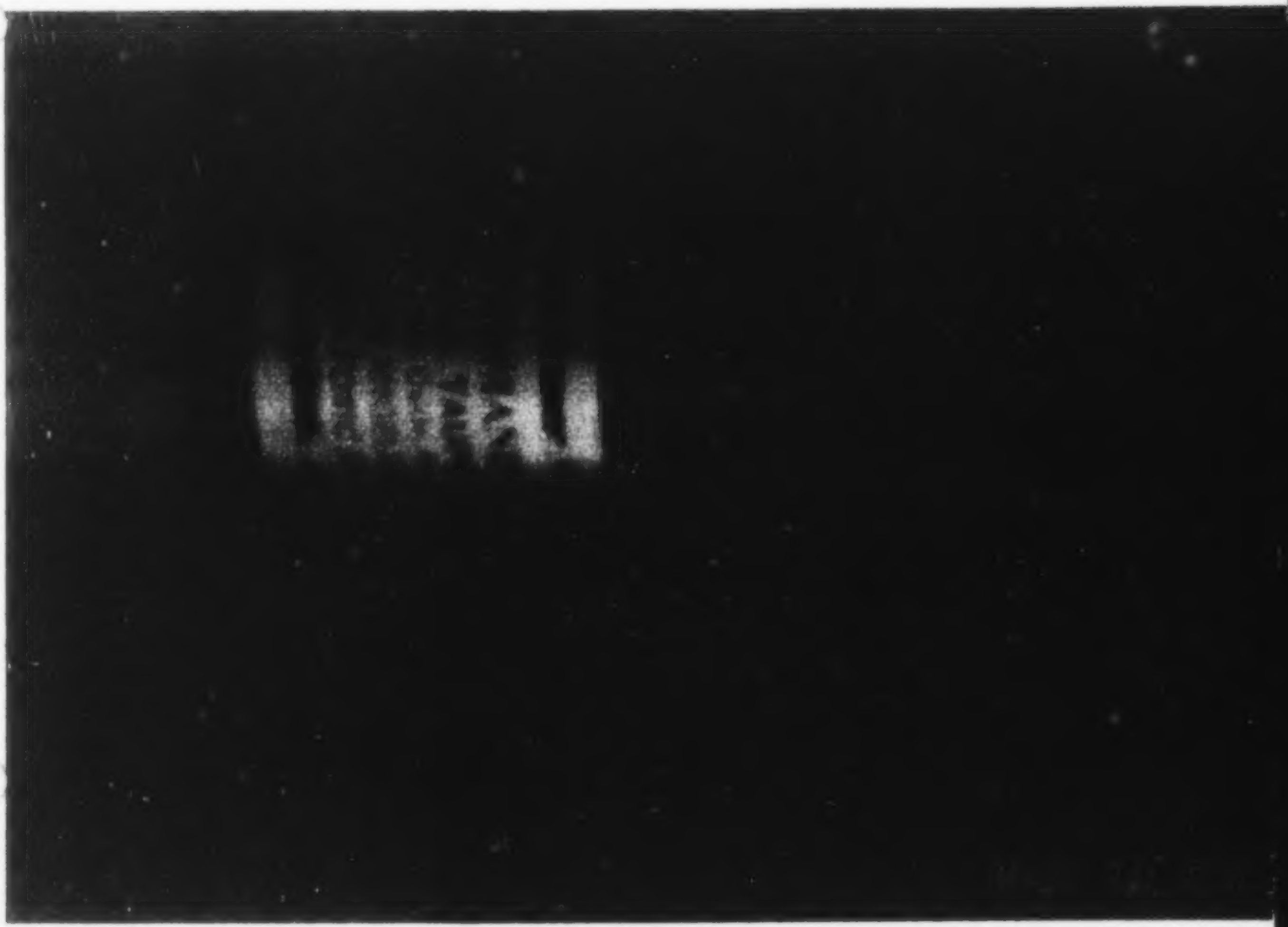

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No. 03-409

IN THE

Supreme Court of the United States

KP PERMANENT MAKE-UP, INC, PETITIONER

v.

LASTING IMPRESSION I, INC;
MCN INTERNATIONAL, INC.

*ON WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT*

BRIEF FOR PETITIONER

MICHAEL MACHAT
**LAW OFFICES OF
MICHAEL MACHAT, P.C.**
9107 Wilshire Blvd.
Suite 425
Beverly Hills, CA 90210
(310) 860-1833

*Counsel of Record
for the Petitioner*

CURRY & TAYLOR ◆ WASH D.C. ◆ (202) 223-3160 ◆ USSCINFO.COM

PETITION FOR WRIT FILED AUGUST 18, 2003
CERTIORARI GRANTED JANUARY 9, 2004

QUESTION PRESENTED

Does the classic fair use defense to trademark infringement require the party asserting the defense to demonstrate an absence of likelihood of confusion, as is the rule in the 9th Circuit, or is Fair Use an absolute defense, irrespective of whether or not confusion may result, as is the rule in other Circuits?

PARTIES TO THE PROCEEDING

Petitioners

Petitioner K.P. Permanent Make-Up, Inc. (hereinafter "KP") is a California Corporation. Petitioner has no parent corporation and there is no publicly held company owning 10% or more of Petitioner's stock.

Respondents

Respondent Lasting Impression I, Inc. (hereinafter "Lasting") has no parent corporation and no publicly-owned shareholders. Respondent Mei-Chi-Na Beauty International, Inc. sued as MCN International, Inc., has no parent corporation and has no publicly owned shareholders.

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OPINIONS BELOW

The April 30, 2003, opinion of the Ninth Circuit [Pet. App.1a-20a] is reported at 328 F.3d 1061. The May 16, 2001, order of the District Court [Pet. App.22a-31a] granting petitioner's motion for summary judgment and the judgment entered thereon in favor of petitioner, is unreported.

JURISDICTION

The Ninth Circuit's opinion was filed on April 30, 2003. Petitioner's timely petition for rehearing was denied on May 20, 2003. The Petition for Writ of Certiorari was filed on August 18, 2003, and granted by this Court on January 9, 2004. This Court has jurisdiction pursuant to 28 U.S.C. § 1254(1).

RELEVANT PROVISIONS INVOLVED

This Case involves a determination of the elements of the Fair Use Defense to an incontestable trademark as specified in Section 33(b) (4) of the Lanham Act which appears at 15 U.S.C. § 1115(b)(4). The relevant text appears below. The full text of 15 U.S.C. §1115(b) is set forth at [Pet. App. 32a-34a]

> **(4)** That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a

term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin;

STATEMENT OF THE CASE

The parties to this case are competitors in the field of micropigmentation, which is more commonly known as permanent make-up. That is to say, the parties to this case supply and distribute pigment colors to permanent make-up practitioners who in turn inject them into the skin of their clients and/or patients. Permanent makeup is similar to a tattoo, in that both are created by injecting pigment into the skin. Tattoos are of course meant to stand out and be noticed, whereas permanent make-up is used for cosmetic purposes such as to enhance eyebrows, or hide a scar.

The essential facts to this case are undisputed.[1] KP has been using the term microcolors to describe its selection of pigment colors since 1990 on flyers, and since 1991 on its pigment bottles. [KP's Motion for Summary Judgment, exhibits H and I][2] J.A. 195-196.

Lasting Impression applied for a trademark registration of a mark consisting of a stylized formulation of the words "micro colors" in 1992. In 1993 the trademark office issued a trademark registration for Lasting's logo mark. Lasting has a license agreement with MCN pursuant to which MCN markets pigment colors under Lasting's logo trademark.

In 1999, KP expanded its use of the phrase microcolors by using the term micro colors on just one page of its 10 page brochure. (Please see Pet. App. 35a-44a for the complete brochure, and Pet. App. 41a for the use of micro color in particular.) J.A. 197-206; J.A 200.

Thereafter, Lasting Impression and its licensee MCN sent KP a cease and desist letter demanding that KP stop using the term micro color. KP filed a lawsuit for declaratory relief in the United States District Court for the Central District of California. Federal Jurisdiction was conferred on the District Court by 15 U.S.C. Section 1121 (a) and by 28 U.S.C. §1338 (a), in that the case arose under the Trademark Laws of the United States, 15 U.S.C. §§1051, et. seq.

KP filed a motion for summary judgment and/or summary adjudication, and Lasting and MCN filed a motion for summary adjudication. The District Court denied Lasting's motion for summary adjudication and granted KP's motion for summary judgment, finding that the term "micro color" is generic, and if not generic, then descriptive. The District Court then determined that neither party had acquired secondary meaning in the term "micro color". Finally, the district court found that KP's use was protected under the fair use defense, 15 U.S.C. § 1115 (b) (4), noting that Lasting and MCN had conceded that KP used the term micro colors in a descriptive sense and not as a trademark[3], and that since KP had been using the mark since 1990, its use was fair. The District Court stopped there, and concluded it need not go further and make a determination of likelihood of confusion.

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[1] Although, there may be a dispute as to whether or not Lasting's trademark is descriptive, the resolution of this dispute should not play a role in the outcome of this case. (Please see Section IB of the Argument, infra)

[2] To corroborate KP's claim of prior use, KP submitted 14 declarations from its customers as evidence of KP's continuous prior use. The declarations were gathered in haste as part of an opposition to a Request for a TRO. After the Request for a TRO and preliminary injunction were denied, the declarations were re-submitted to the Court as part of KP's motion for summary judgment. [These declarations are attached to the Machat Declaration in Support of KP's Motion for Summary Judgment] J.A.104-117.

The District Court also found that the entire logo containing the words "micro color" was valid and protected but that the words "micro colors" on their own were not. The District Court recognized that Lasting's registered logo mark was incontestable, but it held that the logo mark's incontestable status did not apply to the term "micro-colors" because the registration was for the "micro colors" logo and not merely the term.

On Appeal, the Ninth Circuit reversed and remanded the matter for trial on the issue of likelihood of confusion. The Appellate Court disagreed with the District Court's findings that micro colors was generic and that Lasting itself had used the term "micro colors" in a generic sense. Second, the Appellate Court ruled that the District Court erred in requiring Lasting to demonstrate secondary meaning in the term micro colors apart from the logo mark, ruling that the District Court misapplied the Supreme Court decision of *Park 'N Fly*, 469 U.S.189 (1985). Third, the Appellate Court ruled that before concluding that KP's use of the term micro colors fell under the ambit of the Fair Use defense, the District Court should have first conducted a likelihood of confusion analysis. The Appellate opinion acknowledged[4] that KP was the prior user of the term "microcolor", but evidently held that it was still necessary for the District Court to conduct a likelihood of confusion analysis prior to finding fair use.

The Descriptive Nature Of Micro Colors

Since Lasting denies that micro colors is a descriptive term[5], it is perhaps helpful to briefly discuss the descriptive nature of the term micro colors. KP contends that because Lasting has admitted "micropigmentation" and "pigmentation" are synonyms, and "pigment" and "colors" are used interchangeably in the industry, "micropigments" and "microcolors" are also synonyms. Story Depo. at 34:8-12 (J.A. 71:8-12); 34:13-35:17 (J.A. 71:13-73:17); McKinstry Depo. at 72:22-24 (J.A. 93:22-24); 73:8-24. (J.A. 94:8-95:24) In the words of the District court, "one can naturally conclude that micro colors and micro pigments are also synonyms.'" [Pet. App. 25a]

KP also argues that Respondent MCN used microcolors in a generic sense. In the bottom right hand corner of their brochure, MCN warns its customers: "BEWARE: MICRO-COLORS® Pigment is the first and only MICRO-COLORS available by MCN." [Story Deposition, Exhibit O] J.A. 210. The District Court interpreted this to mean: "While the first 'micro colors' phrase refers to Defendants' [Lasting's and MCN's] trademark, the second does not, and "demonstrates the species within the genus." [Pet. App. 26a] The Ninth Circuit interpreted the same sentence differently. [Pet. App. 13a]

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[3] [Pet. App. 29a.]

[4] [Pet. App 3a-4a.]

[5] [Opposition to Petition for Cert. p.2]

Along these same lines, the District Court agreed with KP that when industry competitor TATTOOING printed its October 1998 brochure, it too used microcolors as a generic term, as in: "OUR MICRO COLORS ARE THE BEST IN THE WORLD. [Story Deposition, Exhibit G fourth line from top, and Pet. App. 28a.] J.A. 194. The Ninth Circuit did not discuss this piece of evidence.

SUMMARY OF THE ARGUMENT

This case, perhaps, will one day be referred to as the follow-up case to *Park 'N Fly, Inc., v. Dollar Park and Fly, Inc* ., 469 U.S. 189, 194; 105 S.Ct 658, 661; 83 L.Ed. 2d 582. In *Park 'N Fly*, this Court held that in an infringement action involving an incontestable mark, one could not defend on the grounds that the mark is merely descriptive, or put differently, this Court held one could not argue that an incontestable mark lacks secondary meaning. *Id* at 205. The dissent raised serious concerns about the potential anti-competitive effects the decision would have on commercial speech by not allowing a defendant to challenge the secondary meaning of a clearly descriptive mark that has inadvertently escaped the attention of the trademark examining attorney and through time become incontestable.

In rendering its decision, the majority did not address whether or not the words "park" and "fly" were or had become merely descriptive. *Id* at 199. Moreover, the issue of whether or not the alleged infringer, Dollar Park and Fly, was nevertheless entitled to invoke the fair use defense, as codified in 15 U.S.C. § 1115(b)(4), was not discussed either.[6]

There are various similarities between *Park 'N Fly* and the case now before this Court. Both cases involve registered marks that have become incontestable, and both cases involve a logo mark. More significantly, both cases concern descriptive words that have become part of a registered trademark. The case now presented allows this Court to limit the potential commercial monopolization of descriptive terms. By adhering to a strict interpretation of the statute, and ruling that a district court is not required to undergo a likelihood of confusion analysis when deciding if a use of a disputed term is a fair use, this Court will lessen the potential damaging impact a clearly descriptive incontestable trademark granted through error will have on commercial speech. Conversely, if this Court follows the Ninth Circuit's interpretation, the owner of a clearly descriptive incontestable mark will have far greater rights to descriptive words than imagined by Congress.

This Court's prior decisions in *Delaware & Hudson Canal Co. v. Clark*, 80 U.S. 311, 20 L.Ed. 581, 13 Wall. 311 (1872) and *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526, 528, 44 S.Ct. 615, 616, 68 L.Ed 1161 (1924) make clear that it is permissible for a defendant to make a fair use of a descriptive term even if there is resulting confusion. Section 33(b)(4) of the Lanham Act is a statutory codification of this common law. Research into the statutory history of the act shows that this claim is supported by the words of Fritz Lanham himself.

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[6] Perhaps the reason fair use was not raised is simply because the underlying dispute arose within the 9th Circuit, and with the district court having found a likelihood of confusion, the fair use defense would not have been available within that Circuit.

In the instant matter, the statutory language is clear. There are only three elements to the fair use defense: (1) that the term not be used as a mark; (2) that it be used descriptively; and (3) that it be used fairly and in good faith. The words "likelihood of confusion" do not appear in section 33(b)(4) of the Lanham Act. The good faith element refers to the *intent* of the actor as opposed to the *effect.* As long as one does not set out to trade on the good will of another, then good faith can be found, even if the effect is to create confusion. But if one were to intentionally set out to trade on the good will of another, then this would be bad faith, and the defense of fair use would not be available.

Unfortunately, the Ninth Circuit does not distinguish between intent and effect. Instead, the Ninth Circuit focuses solely on the effect of the use. By focusing on the effect, the Ninth Circuit ignores the plain meaning of good faith, and in essence negates the defense. As put best by the Fourth Circuit, "If a fair-use defense is not to be considered when there is a likelihood of confusion, then it is never to be considered. The fair use defense comes into play only when infringement – including a likelihood of confusion – has been established. A defense which can be considered only when the prima facie case has failed is no defense at all. *Shakespear Company v. Silstar Corp. of Am.* 110 F.3d 234, 243 (4th Cir. 1997). In order to avoid making Section 33(b)(4) superfluous, this Court needs to reverse the Ninth Circuit decision. "A statutory interpretation that renders another statute superfluous

is of course to be avoided. *Dastar v. 20th Century Film Corporation* 539 U.S. 23, 156 L.Ed.2d 18.

ARGUMENT

I. THE STATUTORY LANGUAGE AT ISSUE IS PLAIN AND UNAMBIGUOUS

As this Court has often stated, "As in all statutory construction cases, we begin with the language of the statute. The first step 'is to determine whether the language at issue has a plain and unambiguous meaning with regard to the particular dispute in the case.' *Barnhart v. Sigmon Coal Co., Inc.*,534 U.S. 438, 450; 122 S.Ct. 941, 151 L.Ed.2d 908 (2002) (citing *Robinson v. Shell Oil Co.*, 519 U.S. 337, 340, 117 S.Ct. 843, 136 L.Ed.2d 808 (1997) and *United States v. Ron Pair Enterprises, Inc.*, 489 U.S. 235, 240, 109 S.Ct. 1026, 103 L.Ed.2d 290 (1989)). The inquiry ceases "if the statutory language is unambiguous and 'the statutory scheme is coherent and consistent.' *Id.*

The Fair Use Defense only has three elements: (a) use of the term is not as a trademark or service mark; (b) use of the term is done "fairly and in good faith"; and (c) use of the term is only to describe goods or services . 15 USC §1115(b). There is no fourth element that says a court must also find a lack of likelihood of confusion.

A. Use of the term not as a Mark.

The first element of the fair use defense requires that the proponent of the defense not use the disputed term as a mark. Usually when a defendant is using the disputed term as a mark, there will also be a likelihood of confusion. Because of this, sometimes courts correctly deny the fair use defense, but for the wrong reason. "When the products involved are similar, 'likelihood of confusion' may amount to using a word in a 'misleading' way, violating 15 U.S.C. § 1125(a)(1) – not because the likelihood of confusion makes the use nondescriptive, but because the confusion about the product's source shows that the words are being used, de facto, as a mark. And the defense is available only to one who uses the words of description "otherwise than as a mark." *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.*, 64 F.3d 1055, 1059 (7th Cir. 1995)

An issue concerning this first element typically arises in the context where the proponent of the defense uses the disputed term after or adjacent to the proponents' trademark. An example of this is found in *Leathersmith of London, Ltd. v. Alleyn*, 695 F.2d 27 (1st Cir. 1982), in which the plaintiff had a registration for the word Leathersmith and the defendant called its business TANTALUS Custom Leathersmiths and Bookbinders. *Id.* at p. 29. The use was found to be fair. *Id* at 30-31.

B. Use of the term only to describe goods or services.[7]

The third element of the fair use defense, "use of the term is only to describe goods or services" is almost the inverse of the first element. If the disputed term is being used as a mark, then it most probably is not being used to only describe goods or services. And if the disputed term is being used only to describe goods or services, then it is probably not being used as a mark. In this regard, it has been held that, "Emphasis of a descriptive term on packaging does not show that the term is being used as a trademark." *Eli Lilly and Co. v. Revlon, Inc.* 577 F. Supp. 477, 486 (S.D.N.Y. 1983). Also, the use of a mark to attract public attention is not necessarily use as a trademark. *Citrus Group, Inc. v. Cadbury Beverages, Inc.*, 781 F.Supp. 386, 391-392. (D.Md. 1991). "Virtually ever aspect of a product's trade dress is intended to catch the eye of the purchaser. Unless attention is drawn to the particular word or terms as being indicative of source of origin of that product, the term is not being used as a trademark." *In re Schmid Laboratories v. Youngs Drug Products Corp.*, 482 F.Supp 14, 20-21 (D.N.J. 1979.)

In its opposition to the petition for writ of certiorari, Respondent raised the issue of whether the descriptive element refers to the trademark registrant's mark or to the use of the disputed term. Whether the mark is descriptive or not is not the issue. Instead, one needs to look at the descriptive use of the term by the proponent of the defense. In this respect, both the Second Circuit and the Ninth Circuit are in agreement. As the Second Circuit clearly stated, "But it should make no difference whether the plaintiff's mark is to be classed on the descriptive tier of the trademark ladder. . . . What matters is whether the defendant is using the protected word or image descriptively, and not as a mark." *Car-Freshner Corp. v. S.C. Johnson & Son, Inc.*, 70 F.3d 267, 269; 36 U.S.P.Q.2d 1855 (2d Cir. 1995) More recently, the Ninth Circuit came out with a similar holding, "We similarly have allowed classic fair use of a suggestive mark, which carries both an unprotectable primary meaning and a protected secondary meaning." *Brother Records, Inc. v. Jardine*, 318 F.3d 900, 907 (9th Cir. 2003). "[T]he § 1115(b)(4) classic fair use defense can apply to a mark regardless of its classification as descriptive, suggestive, arbitrary, or fanciful, so long as the mark carried a descriptive primary meaning and a trademarked secondary meaning." *Id.*

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[7] The Ninth Circuit makes a distinction between nominative fair use and classic fair use. "Nominative fair use occurs when the alleged infringer uses "the [trademark holder's] mark to describe the [trademark holder's] product, *even if the [alleged infringer's] ultimate goal is to describe his own product.*" [Pet. App. 16a]. Because the Ninth Circuit applied the classic fair use defense to KP, KP does not discuss nominative fair use.

It seems that the only Appellate Court to state that the Fair Use Defense requires that the plaintiff's mark be descriptive is the Third Circuit. *Institute for Scientific Information, Inc. v. Gordon & Breach, Science Publishers, Inc.*, 931 F.2d 1002, 18 U.S.P.Q.2d 1527, 1533 (3d Cir. 1991), cert. denied, 502 U.S. 909, 116 L. Ed. 2d 245, 112 S. Ct. 302 (1991). A closer reading of the case suggests that the words used by that Court were a hasty generalization that described the facts of that particular case before that court; because of the obvious descriptive nature of the mark at issue in that case, (ie. CURRENT CONTENTS) it did not matter that the Court made such a generalization, and the statement could be characterized as dicta. A careful reading of the statute seems to clearly indicate that the word descriptive does not refer to the trademark registrant's mark but rather to the use made of the mark by the proponent of the defense.

C. Used Fairly and in Good Faith

This prong is the most confusing of the prongs, and it is this element that gives rise to the biggest confusion. Professor McCarthy claims, "The better view is that it is inconsistent to find both likely confusion and a fair use." McCarthy, supra, §11.17. Kane, on the other hand writes, "So long as defendant's use is descriptive, in good faith, and not as a trademark, it will be permitted even if it causes likely confusion." Kane, Trademark Law 173 (1987). The Restatement (Third) of Unfair Competition follows those cases that recognize fair use as an independent defense to infringement. The Ninth Circuit have chosen to follow McCarthy's opinion. The Second Circuit agree with Kane. "Fair use is a defense under the Lanham Act even if a defendant's conduct would otherwise constitute infringement of another's trademark." *Cosmetically Sealed Industries, Inc. v. Chesebrough-Pond's USA Co.*, 125 F.3d 28, 43 U.S.P.Q.2d 1956 (2d Cir. 1997)

The Ninth Circuit's view is contrary to the plain meaning of the statute. Those that say there cannot be a fair use if there is a confusing use do not give the words "good faith" their ordinary meaning. Good faith is a mental state. Traditionally, if one wants to determine if someone is acting in good faith, one attempts to determine that person's intent. If we want to know if someone has acted in good faith, we usually undertake an analysis of what the actor was thinking. In other words, we look at the actor's mens rea. The concept of good faith entails the possibility of a potentially undesirable result that is excusable. Sometimes society excuses certain behavior or acts because those acts or behavior were undertaken with a good intent. This is certainly true in criminal law, and it is true in civil law as well.

In the context of interpreting the statute at the heart of this dispute, the words good faith must be given their ordinary meaning. This entails an inquiry into the intent of the proponent of the defense. In the Ninth Circuit, the rule is to look at the *effect* of the descriptive use of the mark as opposed to the *intent* of the party making the descriptive use of the mark. And herein lies the confusion.

When one person sets out to trade upon the good will of another, naturally there most likely will be a resulting likelihood of confusion. This would be an example of bad faith that would render the fair use defense inapplicable. However, when one person sets out merely to use a descriptive term truthfully to describe his or her own goods, without intending to call attention to the goods of the trademark registrant, then we have good faith. And if there happens to be a resulting likelihood of confusion as a result of the good faith use of a descriptive term to describe one's goods or services, then that is the fault of the trademark registrant for choosing such a descriptive term to begin with. As the Second Circuit stated, "If any confusion results, that is a risk the plaintiff accepted when it decided to identify its product with a mark that uses a well known descriptive phrase." *Id at* 43.

The case of *Leathersmith of London, Ltd. v. Alleyn*, 695 F.2d 27 (1st Cir. 1982), further illustrates this point. In that case, the 1st Circuit was presented with a situation where the trademark registrant obtained a trademark registration of a generic if not descriptive name, ie., Leathersmith. The second part of the Court's opinion, at pages 30-31, analyzes the facts of the case without considering likelihood of confusion. It makes reference to a lack of evidence of any *intent* to deceive customers or to appropriate plaintiff's good will, (*Id* at 31) creating the inference that even if there were a likelihood of confusion, since the defendant had no intent to cause any confusion, the fair use defense would still be applicable. The issue is not one of actual likelihood of confusion, but rather whether or not there was an intent to create an actual likelihood of confusion, so that it would be possible to trade off the plaintiff's good will.

The Restatement (Third) of Unfair Competition also illustrates the point. The comments to the Restatement describe both "Manner of use" and "Good Faith". In discussing good faith, the Restatement makes reference to the intent of the actor, as in, "However, if the evidence establishes that the subsequent user intends to trade on the good will of the trademark owner by creating confusion as to source or sponsorship, the use is not in good faith." And the Restatement points out that, "Knowledge of a prior trademark use of the term does not in itself prove a lack of good faith." *Id., comment d.*

In discussing manner of use, the Restatement discusses the prominence of the use of the descriptive term, the presence of the defendant's own trademark in conjunction with the descriptive term, the physical nature of the use, the degree to which the descriptive meaning of the term is relevant to the goods of the subsequent user, whether or not the term is only marginally descriptive, the absence of alternative terms capable of adequately describing the pertinent characteristic, etc. *Id., comment c.*

As is plainly obvious, the Restatement is discussing variables one might naturally take into consideration when deciding whether or not a party is acting fairly and in good faith. Because the courts cannot read parties' minds, the courts need to refer to tangible evidence to help it judge what the intent of the actor was. The Restatement is citing objective factors that a court might want to take into account in order to determine what the actor's subjective state of mind was.

D. The absence of likelihood of confusion is not an element of the statute.

The absence of likelihood of confusion is not a fourth prong to the defense. Its only relevance is due to judicial confusion between effect and intent. Good faith is determined by the intent of the actor, not by the effect on the business of the owner of the descriptive mark.

Stated differently, it is possible for one to descriptively use a term, otherwise than as a mark, fairly and in good faith, and for there to be a resulting likelihood of confusion. There will sometimes be the case where a likelihood of confusion results, not due to the strength of a plaintiff's mark, but rather due to the weakness of the plaintiff's mark. In this scenario, the plaintiff's mark can be so weak that it does not function (or hardly functions) as a mark, and any resulting likelihood of confusion would be due to a lack of

secondary meaning in the mark. For example, take the LITE trademark of Miller. (US Trademark Registration No. 1385379.) That trademark is limited to the exact logo of the word lite. The logo itself may be a strong mark, but the word apart from the logo is weak. Let's examine the use of the word "lite", apart from the logo. Suppose someone were to walk into a strange bar, looking to try out one or more new beers. He tells the bartender, "I want a beer that's not too heavy and not too strong. Let me have a lite beer." The bartender might naturally respond, " We have a few light beers. Which one would you like?" In this scenario, we have a likelihood of confusion due to the lack of secondary meaning in the phrase lite beer.[8] The same can be said with regard to the term microcolors apart from a logo. Any possible confusion that might ever result in the use of just the words micro colors would be attributable to the weakness of the mark and its lack of secondary meaning.

Park and Fly seem to be two more words that when joined together as a trademark form a weak mark. Any perceived confusion over the use of the words park and fly amongst various airport parking lots is most probably due to a lack of secondary meaning in the words park and fly without the logo. Just like beer companies should be free to use the word light or lite to describe their wares, airport parking lots should be able to use the common descriptive words park and fly in describing their services.

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[8] Miller actually did attempt to acquire monopoly rights to just the word "LITE". *Miller Brewing Company v. G. Heileman Brewing Company, Inc.*, 561 F.2d 75 (7th Cir. 1977) *cert denied*, 434 U.S. 1025, 98 S.Ct. 751, 54 L.Ed.2d 772. Fortunately, commonsense prevailed, and although Miller subsequently obtained an incontestable trademark registration in the LITE logo, the trademark rights in the registration only attach to the logo and not the word "lite" apart from the logo. But what if the trademark application had slipped through without Miller having to disclaim the word "Lite," and Miller then waited five years for it to become incontestable?" Then Miller would be in the same position Lasting is in today, and would be able to claim a monopoly in the word "lite" when used to describe beer.

So to summarily hold that there can be never be fair use when there is a finding of likelihood of confusion, unfairly adds a fourth element to the statute which effectively eviscerates the fair use defense altogether. As the Fourth Circuit puts it, "It defies logic to argue that a defense may not be asserted in the only situation where it even becomes relevant. If a fair-use defense is not to be considered when there is a likelihood of confusion, then it is never to be considered. The fair-use defense comes into play only when infringement - including a likelihood of confusion –has been established. A defense which can be considered only when the prima facie case has failed is no defense at all. While it is true that *to the degree* that confusion is likely, a use is less likely to be found fair, it does not follow that a determination of likely confusion precludes considering the fairness of use." *Shakespeare Company v. Silstar Corp. of Am.*, 110 F.3d 234, 243 (4th Cir. 1997). And as this Court has stated most recently in *Dastar v. 20th Century Film Corporation* 539 U.S. 23, 156 L.Ed.2d 18, " A statutory interpretation that renders another statute superfluous is of course to be avoided. *E.g., Mackey v. Lanier Collection Agency & Service, Inc.*, 486 U.S. 825, 837, and n. 11, 108 S.Ct. 2182, 100 L.Ed.2d 836 (1988)."

Any rule that forces a defendant to prove no likelihood of confusion as an element in the fair use defense in essence shifts the burden of proof of the case in chief from the plaintiff to the defendant. This was

never the intent of the drafters of the Lanham Act, nor of the drafters of the subsequent amendments to the Lanham Act. As stated in the Senate Report No. 100-515, May 12, 1988, prepared in connection with the 1988 Trademark Law Revision Act, "Third, it [ie., Section 30(1) of the bill] makes clear that incontestability does not relieve the owner of an incontestable registration from the burden of proving likelihood of confusion."

Yet, if this Court were to adopt the Ninth Circuit view of the fair use defense, the proponent of the defense would have to prove an absence of likelihood of confusion. (Please also see, *Brother Records, Inc. v. Jardine*, 318 F.3d 900, 909, fn5 (9th Cir. 2003) "Therefore, whereas plaintiff carries the burden of persuasion in a trademark infringement claim to show likelihood of confusion, (citation omitted) the nominative fair use defense shifts to the defendant the burden of proving no likelihood of confusion.")

E. The District Court was correct in ruling KP's use of micro colors was protected by the Doctrine of Fair Use.

Applying these factors to the present case, it is easy to see why the District Court found that KP was making fair use of the micro colors term. The District Court noted that Lasting conceded KP is not using the term as a service mark or trademark. [Pet. App. 29a][9] The District Court also noted that Lasting also argued KP is using the term micro colors 'descriptively on bottling labels and seminar flyers to identify KP's pigment colors or shades. [Pet. App. 29a] The District Court then concluded that: "Elements one and three have been established." [Pet. App. 29a]

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[9] Because KP asserted both the fair use defense and the prior use defense, Lasting found itself in a conundrum. In order to dispel the prior use defense, Lasting convincingly argued that KP was not making trademark use of the term microcolors, and that KP's use was a descriptive use

Turning to the second factor, the District Court placed great importance on the fact that KP was the senior user of the term "microcolors." It concluded that, "Because Plaintiff [KP] began using the mark before Defendants [Lasting] used theirs, and has continued use of the phrase, Plaintiff argues its use was done fairly and in good faith. The Court agrees." [Pet. App. 29a]

KP anticipates that Lasting will argue that on the only page of KP's ten page brochure where KP uses the words micro color, KP does so in an attention getting way which constitutes a trademark use, in their opinion. Although the District Court specifically may not have made a distinction between KP's use of the term on its labels and KP's use of the term in its brochure, implicitly at least, it seems that the District Court also found that KP's use of the term in the brochure was also a fair use.

From both a cursory and thorough examination of the brochure (a copy is found at Pet. App. 35a-44a) J.A. 197-206, it seems pretty evident that KP's trademarks are both the letters KP and the logo consisting of the letters KP followed by an eye. Although the use of the term micro colors on that one page of the brochure is eye catchy, as the court in *In re Schmid Laboratories v. Youngs Drug Products Corp.*, 482 F.Supp 14, 20-21 (D.N.J. 1979) stated: "Virtually ever aspect of a product's trade dress is intended to catch the eye of the purchaser. Unless attention is drawn to the particular word or terms as being indicative of source of origin of that product, the term is not being used as a trademark." Since KP uses the

words "micro color" only once in the middle of its 10 page brochure, it would be hard to make out a case that the use was anything but other than as a trademark and only to describe its goods. Furthermore, in keeping with its pattern and habit of using the term microcolor to describe its micropigmentation colors, it was only natural for KP to use the term micro color on its chart of micropigmentation colors. It would seem odd if the chart had a different description than the labels on the bottles themselves. It is also significant to note that KP's use of the words micro color on that one page of its brochure was dramatically different from Lasting's use of micro colors. (Please compare Pet. App. 41a with Exhibit Q from Story Deposition.) J.A. 200, 211 Also KP's logo and trademark are found all over the brochure including on the same page as its use of micro color.

Finally, it is important not to lose sight of the generic if not descriptive nature of the words in question. There are only a few words available to use to describe the liquid that gets injected into the skin. There are micro pigments, micro colors, color pigments, and pigment colors -- all of which mean the same thing. The District court noted that: "[O]ne can naturally conclude that micro colors and micro pigments are also synonyms.'" [Pet. App. 25a]. If there were any confusion, which KP specifically denies any possible confusion[10], the confusion would be due to the lack of secondary meaning in the words "micro colors" apart from the logo. Indeed the District court specifically found a lack of secondary meaning to micro colors apart from the logo. [Pet. App. 28a-29a][11] Hence it is simple to conclude that KP's only use of the term micro color on its 10 page brochure was done fairly and in good faith, as was its use on labels.

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[10] The relevant class of prospective customers are permanent make-up technicians. Since they perform a medical type procedure and need to be concerned about potential liability issues, they quite naturally fully read the labels and do not confuse one brand with another.

II. THE ORIGIN OF THE NINTH CIRCUIT'S RULE IS HAZY AT BEST.

There does not appear to be a rational basis for the Ninth Circuit's dogmatic view other than to say the Ninth Circuit has simply confused effect with intent. It appears that the Ninth Circuit may have adopted its current rule without careful consideration. It appears that the Ninth Circuit borrowed its rule from a Fifth Circuit case, which court in turn did not give the issue careful consideration, but instead copied a sentence from Professor McCarthy written in 1973. It seems that McCarthy, himself is unclear on this matter.

In this case now before this Court, the Ninth Circuit cites three cases as authority for its ruling that a District Court must address the issue of likelihood of confusion prior to finding fair use. (Pet. App. 17a.) Those cases are: *Lindy Pen Co. v. Bic Pen Corp*, 725 F2d 1240, 1248 (9th Cir. 1984); *Transgo, Inc. v. Ajac Transmission Parts Corp*,. 911 F.2d 363, 366 n2 (9th Cir. 1990) and *Cairns v. Franklin Mint Co.*, 292 F. 3d 1139, 1150 (9th Cir. 2002). A close examination of each case reveals holes in the logic behind the 9th Circuit's law of fair use.

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[11] The fact that the District Court misapplied *Park N' Fly* in addressing the issue of secondary meaning does not take away from the fact that it found a lack of secondary meaning, even though it should not have addressed the issue.

In *Cairns*, the Ninth Circuit merely recite their law without any explanation (292 F. 3d at 1150) other than a citation to both *Lindy Pen* and *Transgo*. In *Lindy Pen*, at 725 F2d 1248, it is apparent that the defendant was using the disputed term as a trademark, so the fair use defense was not even applicable.[12] The *Transgo* Court also does not attempt to give an explanation for its ruling. Instead, at 911 F.2d 366, the Transgo Court blindly follow a 5th Circuit case, *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 791 (5th Cir.1983) as its-authority for its law on fair use. No further explanation is tendered.

The *Zatarains* Court in turn at 698 F.2d 791, refers to a statement by Professor McCarthy in his 1973 edition of McCarthy on Trademarks and Unfair Competition, in which he mistakenly stated, "The holder of a protectable descriptive mark has no legal claim to an exclusive right in the primary, descriptive meaning of the term; consequently, anyone is free to use the term in its primary, descriptive sense so long as such use does not lead to customer confusion as to the source of the goods or services. *See* 1 J. McCarthy, *Trademarks and Unfair Competition* § 11.17, at 379 (1973)." (McCarthy has of course written a great treatise, but like all men, he too, sometimes can be mistaken.)

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[12] We conclude that Bic is making a trademark use of the word "Auditor's," and is not immune from liability for infringement on the basis of the fair use defense. *Lindy Pen*, supra at 725 F2d 1248. As the Seventh Circuit pointed out in *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.*, 64 F. 3d 1055 (7th Cir. 1995): "When the products involved are similar, 'likelihood of confusion' may amount to using a word in a 'misleading' way, violating 15 U.S.C. § 1125(A)(1) – not because the likelihood of confusion makes the use nondescriptive, but because the confusion about the product's source shows that the words are being used, de facto, as a mark. And the defense is available only to one who uses the words of description 'otherwise than as a mark'." *Id.* at 1059.

So therefore, the 9th Circuit's authority for its view ironically seems to depend on the Fifth Circuit, in which the most recent authority goes the other way. "[A] fair use of a term may be protected even if a likelihood of confusion exists. . . . Otherwise, a markholder could "appropriate a descriptive term for his exclusive use and so prevent others from accurately describing a characteristic of their goods." *Pebble Beach Co. v. Tour 18 1 Ltd.*, 155 F.3d 526, 547 n12 (5th Cir. 1998) quoting *Soweco, Inc. v. Shell Oil Company*, 617 F. 2d 1178, 1185 (5th Cir. 1980). "If defendant's use of a term to fairly describe a characteristic of its goods creates a likelihood of confusion, then plaintiff should adopt some other method of distinguishing its goods from those of defendant. He cannot deprive defendant of his statutory defense once defendant has established the elements of that defense, as defendant has done here." *Id.* at 1189.

III. THE LEGISLATIVE HISTORY OF SECTION 33 OF THE LANHAM ACT SUPPORTS REVERSAL.

The concept that one should not be able to use a trademark to obtain a monopoly over a descriptive term predates the Lanham Act by many years. This Court in *Delaware & Hudson Canal Co. v. Clark*, 80 U.S. 311, 20 L.Ed. 581, 13 Wall. 311 (1872), a case involving trademark rights within the coal industry, stated:

> It is not necessary that a word which may be adopted as a name and trade-mark should be a new creation never before known or used, to entitle it to be so adopted. Any word in common use may be taken, if its application be original, and so far peculiar as to be capable, when known to the public, of distinguishing the property of the party so adopting it, and to which it may be attached, from that of other parties. *In such case the right of the public to use the word is not abridged. It can be used as originally and in any and every other way imaginable, except in its peculiar combination with the word 'coal.'* The exceptions to the right to appropriate a *word* for a trade-mark are, that it cannot be done when the word adopted is merely used as descriptive of *quality*, as in the case of *Stokes* v. *Landgraff*, or of *Corwin* v. *Daly*, or of *Amoskeag Manufacturing Company* v. *Spear;* or where it is the proper name for the article, as in the case of the 'Schnapps,' the subject of controversy in *Wolfe* v. *Goulard;* or where it has by general use become the appropriate name of an article, which all persons manufacturing the same may use, as in the case of 'Dr. Johnson's Yellow Ointment,' or that of 'The Essence Of Anchovies.' *Id* at 317. (Footnotes omitted. Emphasis added)

Approximately 52 years later, in *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526, 528, 44 S.Ct. 615, 616, 68 L.Ed 1161 (1924), this Court addressed the same concern. The Respondent in that case had come out with a drink named Coco-Quinine which also was a description of the ingredients of the drink itself. The petitioner had come out with a similar tasting drink made also from quinine and chocolate and called its drink Quin-Coco. This Court stated that, "The use of a similar name by another to truthfully describe his own product does not constitute a legal or moral wrong, even if its effect be to cause the public to mistake the origin or ownership of the product." *Id* at 528.[13]

The legislative history to the Lanham Act indicates that the authors and Congress did not intend to change existing law regarding the fair use defense, as established in *Delaware & Hudson Canal Co. v. Clark.* In the words of the man whose name is given to the act in question, Mr. Lanham stated:

> Mr. LANHAM. Mr. Speaker, the legislative history of this act is long and extensive. Many hearings have been held over a period of almost 8 years. Those hearings may, and probably will, be referred to by the courts in construing and interpreting the provisions of the act. However, there is one provision in the act which has no recorded legislative history, and in order that the purpose and intent of the House may be made perfectly clear, I wish this statement to appear in the RECORD as an explanation of our intent and as a part of the legislative history of the act. . . . . .
>
> * * *
>
> However, section 33(b) contains seven exceptions to the rule that the certificate of registration shall be conclusive evidence of the rights of the registrant even where the provisions of section 15 have been met. Some doubt has been expressed on the following points:
>
> First. Do these seven exceptions, including the amending paragraph (7) with reference to the violation of the antitrust laws of the United States, lay down substantive rules of law or substantive defenses which go to the validity and enforceability of the mark, or do they relate only to the weight of evidence to be given to the certificate of registration?
>
> Second. What is the meaning of the words, "used to violate the antitrust laws," as found in paragraph (7) of paragraph (b) of section 33?
>
> It is clear from the language of the act and from the congressional history ~~of~~

---

[13] This Court did however go on to find unfair competition by the petitioner principally because the petitioner was using the name of its drink as a trademark that was similarly confusing to the brand name being used by respondent. Thus, if the Lanham Act had been enacted at that time, and if 15 U.S.C. 1115(b)(4) were the law at the time, the fair use defense as stated therein would not have been applicable to the petitioner because the petitioner was using the descriptive term not just as a descriptive term, but as a mark.

> the act as it is found in the hearings and reports that the seven "defenses or defects" listed under paragraph (b) of section 33 are intended to relate to and to affect the weight of the evidence to be given to the certificate of registration where the owner claims the benefit of the incontestable rule and where the opposite party can, by the weight of the evidence, establish any one of the things listed in the seven paragraphs in paragraph (b); **but these seven paragraphs are not intended to enlarge, restrict, amend, or modify the substantive law of trade-marks either as set out in other sections of the act or as heretofore applied by the courts under prior laws.** Congressional Record of June 25, 1946, at page 7524: Also found in, *Jerome Gilson*, Trademark Protection and Practice, Vol. 9, pages IV-194 to IV-195.(emphasis added)

Earlier, in 1939, as part of Mr. Lanham's report from the Committee on Patents, at the first session of the 76th Congress, in House of Representative Report No. 944, in explaining the purpose of all trademark legislation, Mr. Lanham wrote:

> Finally, any legislation on this subject must have as its object the protection of trade-marks, securing to the owner of the goodwill of his business and protecting the public against spurious and falsely marked goods. The matter has been approached with the view of protecting trade-marks and making infringement and piracy unprofitable. This can be done without any misgivings and without the fear of fostering hateful monopolies, for no monopoly is involved in trademark protection.
>
> Trade-marks are not monopolistic grants like patents and copyrights (Trade-Mark cases, 100 U.S. 82). In *Prestonettes v. Coty* (264 U.S. 359), Mr. Justice Holmes said (368):
>
> > It (a trade-mark) does not confer a right to prohibit the use of the word or words. It is not a copyright. * * * A trade-mark only gives the right to prohibit the use of it so far as to protect the owner's goodwill against the sale of another's product as his. H.R. 944

Virtually the same language quoted above in the House Report appears in Senate Report No. 1333. Clearly, the enactment of the Lanham Act was never intended to allow a party to claim a monopoly on a descriptive term as Lasting is attempting to do with micro colors.

To further illustrate the point, there was a debate in Congress over whether or not to include the word necessary in the fair use defense, as in, "or of a term or device which is merely descriptive of and necessary truthfully to describe to users the goods or services of the defendant,. . . " This language is found in H.R.5461 [1941] [14]. In arguing for the rejection of the word necessary from the subsection in question, Mr. Martin argued:

> "If, for example, someone should register the term "jackknife," and secure an incontestable right after 5 years' continuous use, and somebody else came along and in a normal way in his business used the term "jackknife" and this man sued him, and the defendant said, "Why, I am just using the English language," the plaintiff could say, "No; under this provision here you cannot use that term 'jackknife' because I have an incontestable right in it." "But," he says, "I am not using it as a trade-mark. I am using it in a normal way to describe this product." And the plaintiff says, "But it is not necessary to use that word to truthfully describe it. You can use 'pocket knife.'" Now, if you go along that line and somebody else registers "pocket knife," it would not be long until that man would have a lot of trouble describing his product, and it was because of that that the American Bar Association thought this term necessary "truthfully to describe" goes entirely too far.
>
> With hesitation I say that I disagree with Mr. Rogers. I don't think that any court has ever held that the test is whether it is necessary to truthfully describe." *Hearings on H.R. 102, H.R. 5461, and S. 895 Before the Subcommittee on Trademarks of the House Committee on Patents, 77th Cong., 1st Sess. 63-74 (1941)*

Later, in the same debate, Mr. Martin states:

> "Quite right, Mr. Chairman, but what we have got to look at the public viewpoint. We cannot just look at the trade-mark owner's viewpoint. Everybody has got a right to the use of the English language and has got a right to assume that nobody is going to take that English language away from him." *Id.*

The word necessary was of course deleted from the statutory language.

---

[14] The full text of the paragraph read: "That the use by the defendant of the term or device charged to be an infringement is not a use as a trade or service mark and in a manner not likely to deceive the public, of the defendant's individual name in his own business, or of the individual name of anyone in privity with the defendant who uses his own name in his own business, or of a term or device which is merely descriptive of and necessary truthfully to describe to users the goods or services of the defendant, or of a term or device which is primarily descriptive of their geographic origin." H.R.5461 [1941]

IV. REVERSAL OF THE NINTH CIRCUIT DECISION WOULD BETTER SERVE THE PUBLIC'S INTEREST IN PRESERVING FREEDOM OF SPEECH WHILE STILL PROTECTING THE PROPERTY INTERESTS OF TRADEMARK HOLDERS.

The goals of trademark protection need to be balanced against the need to prevent the erosion of words in the public domain. As Judge Kozinki observed 11 years ago in a dissenting opinion; "Something very dangerous is going on here.... Overprotecting intellectual property is as harmful as underprotecting it. Creativity is impossible without a rich public domain." *White v. Samsung Electronics America, Inc.*, 989 F.2d 1512, 1513 (9th Cir.1993) Later, Judge Kozinki further commented: Intellectual property rights aren't free: They're imposed at the expense of future creators and of the public at large.... This is why intellectual property law is full of careful balances between what's set aside for the owner and what's left in the public domain for the rest of us." *Id.* at 1516.

If this Court does not reverse the ruling below, but instead adopts the Ninth Circuit interpretation of the Fair Use Defense, then businesses will constantly be at risk when developing ad campaigns. The most a lawyer would be able to do when advising a client about adopting a prospective marketing campaign that uses a descriptive term that is also part of a competitor's trademark would be to advise the client to proceed with caution. That even though descriptive terms are supposed to be free for all to use to truthfully describe their goods or services, there may be some consumers who will become confused as to the source of the client's goods. As a result, businesses merely seeking

to truthfully and in good faith use a common everyday term found in the dictionary to only describe its goods would eventually find itself embroiled in litigation with a ruthless competitor seeking to make it difficult and cumbersome for others to advertise.

It is an unfortunate fact that there are some businesses that will use this uncertainty to its advantage against competitors with less financial resources. It is not uncommon for businesses to seek a trademark registration for a purely descriptive or even generic term. In cases like this, the trademark applicant wraps the descriptive and/or generic term around a logo and applies for a logo mark. An example of this is revealed in *Sweats Fashions, Inc. v. Pannill Knitting Co.*, 833 F.2d 1560, 4 U.S.P.Q.2d 1793 (Fed. Cir. 1987), where the trademark registration protected the logo of Sweats but not the word Sweats itself. Once a registered trademark is issued, the competitor can use the registration itself to threaten smaller competitors with litigation, even though the registration includes a descriptive term that should be free for all to use. Without the law on this matter being clear, a small company may just give up its right to continue using the descriptive term simply to avoid the costs of litigation. The only way to make the law clear is to adhere to the plain meaning of the statute, and not consider likelihood of confusion.

Petitioner believes this is exactly what happened in this case. Lasting obtained a logo registration of a descriptive term to prevent its competitors from using the same descriptive term in its marketing. One competitor, Tattooing, had at one time written in its brochures, "'Our Micro Colors are the best in the world.' However Tattooing has agreed to stop using the "micro colors" phrase at Defendants' request."

(Pet. App.28a) Petitioner contends this is merely because Tattooing, Inc did not want to go through the time and energy defending against a federal lawsuit. In contrast to Tattooing's business decision, Petitioner instead chose to fight for its right to continue using a descriptive term to describe its goods and services.

The Ninth Circuit is on a road to progressively rewriting the Lanham Act and in the process granting monopolies to trademark registrants who obtain incontestable marks for descriptive words.[15] The competing free speech concerns are being neglected within the Circuit.

The Ninth Circuit has shifted the effective burden of proving likelihood of confusion from the trademark registrant to the accused infringer in classic fair use cases. More recently, in cases involving nominative fair use, there now seems to be a split within the Ninth Circuit as to who bears the burden of proof concerning likelihood of confusion in those cases too. (Please see *Brother Records, Inc. v. Jardine*, 318 F.3d 900, 909, fn5 (9th Cir. 2003) where the court shifts the burden from the trademark registrant to the accused infringer.)

The world needs protection when an obviously descriptive term and perhaps even a generic term escapes the attention of the examining attorney at the USPTO, and as a result, a registered mark is subsequently mistakenly granted. If the descriptive term is the most salient feature of the mark, then under

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[15] In *Entrepreneur Media, Inc. v. Smith*, 279 F.3d 1135 (9th Cir. 2002), the court noted that "It is difficult to conceive of a term [Entrepreneur] that would be more descriptive of the contents of the plaintiff's magazine." Yet, citing the incontestability of the magazine's mark, it proceeded on a road to make it difficult for entrepreneurs to use that very word.

current law, this purely descriptive term can obtain trademark protection. After a short number of years, if no one challenges the descriptive mark, it can become incontestable, even though it may have been granted by mistake. The dissent in *Park 'N Fly*, supra at 206, was very concerned about this type of situation. In order to remedy the concern that a merely descriptive mark may obtain incontestable status, the dissent in that case argued, one should be able to challenge the validity of an incontestable mark on the ground that it is merely descriptive. The majority opinion pointed out that there were other statutory provisions available to rectify the trademark register and/or enable the public to continue using the descriptive term. One of these other statutory provisions, is the Fair Use Defense, *15 U.S.C. §1115(b)*. But as we have seen, the Fair Use defense is no more than a fiction within the Ninth Circuit. It has been eviscerated. If there is no likelihood of confusion, then the defense never really comes into play, and one attempting to use it must deal with the perils of assuming the burden of proof over the likelihood of confusion issue.

This Court noted that the dissent in *Park 'N Fly* disagreed with the balance struck by Congress in determining the protection to be given to incontestable marks. *Park 'N Fly 469* U.S. supra at 202. In order to prevent the balance from swinging too far the other way, it is vitally important that this Court strike down the Ninth Circuit's analysis of the Fair Use defense, and adopt the plain meaning of the statute as the law of the land.

Also, the decision of the Ninth Circuit needs to be overturned to keep down the costs of defending free speech. If the decision is affirmed, the burden of proving or disproving likelihood of confusion will have been shifted to an alleged infringer. In this case, one wishing to stand up for his or her rights to use ordinary words to truthfully describe his or her goods or services will almost always have to go to trial[16] and incur massive costs in paying for expensive surveys[17].

The Second Circuit's common sense interpretation of the statute seems not only logical, but also fair. Why should a defendant be forced to go through the expense of conducting a survey (to prove a lack of likelihood of confusion) or going to trial (again to prove no customer confusion) if all he is doing is using a descriptive word or phrase to truthfully describe his goods or services?

CONCLUSION

For all of the foregoing reasons, KP respectfully urges this Court to: (1) Reverse the Ninth Circuit opinion; (2) Rule that: "So long as an alleged infringer's use is descriptive, in good faith, and not as a trademark, it will be permitted even if it causes likely confusion" and (3) Find that KP's use of the term "micro colors" is a fair use under the statute.

Dated this 19th day of April, 2004.

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[16] As the Ninth Circuit notes, "determining whether a likelihood of confusion exists at the summary judgment stage is generally disfavored. . ." (Pet. App.18a)

[17] In borderline cases where evidence of actual confusion is not available or is not overwhelming, the gap should best be filled by a properly conducted survey of the relevant class of prospective customers of the goods or services at issue." *McCarthy*, supra at §23.17.

Respectfully submitted,

Michael Machat
Counsel of Record for Petitioner
9107 Wilshire Blvd., Suite 425
Beverly Hills, CA 90210
(310) 860-1833

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AUG 13 2004

No. 03-409

In The
Supreme Court of the United States

◆

KP PERMANENT MAKE-UP, INC.,

Petitioner

v.

LASTING IMPRESSION I, INC.,
AND MCN INTERNATIONAL, INC.

◆

On Writ Of Certiorari
To The United States Court Of Appeals
For The Ninth Circuit

◆

BRIEF FOR RESPONDENTS

◆

CHARLES C.H. WU
Counsel of Record
MARK H. CHEUNG
WU & CHEUNG, LLP
7700 Irvine Center Drive
Suite 710
Irvine, CA 92618-3043
(949) 251-0111

PROF. J. THOMAS MCCARTHY
MORRISON & FOERSTER LLP
425 Market Street
San Francisco, CA 94105-2482

DREW S. DAYS, III
BETH S. BRINKMANN
EDWARD W. GRAY, JR.
SETH M. GALANTER
MORRISON & FOERSTER LLP
2000 Pennsylvania Ave., N.W.
Washington, DC 20006-1888
(202) 887-1500

Attorneys for Respondents

July 19, 2004

COCKLE LAW BRIEF PRINTING CO. (800) 225-6964
OR CALL COLLECT (402) 342-2831

QUESTION PRESENTED

Whether an incontestable trademark can be "used fairly" within the meaning of 15 U.S.C. § 1115(b)(4), by a competitor of the trademark owner where the competitor commercially uses the trademark in connection with its own similar goods, and that use is likely to lead consumers to confuse the competitor's goods with the trademark owner's goods.

RULE 29.6 CORPORATE DISCLOSURE STATEMENT

There is no parent or publicly held company owning 10% or more of the stock of respondent Lasting Impression I, Inc., or respondent MCN International, Inc.

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STATEMENT

A. Factual Background

1. Respondent Lasting Impression I, Inc. (Lasting Impression) is a manufacturer and seller of liquid pigments that are injected into a person's skin during a process known as permanent make-up application (also known as micropigmentation or cosmetic tattooing). Pet. App. 3a.

The permanent make-up application process alters the hue of the skin. *Ibid.* The process is used following medical procedures to eliminate scars or to reconstruct lost eyebrows or breast tissue, or for pigmentary disorders, as well as in the cosmetic industry to apply permanent eye liner or other make-up. *Ibid.*; J.A. 130-131. The injectable pigments used in permanent make-up application are sold in small bottles. Pet. App. 4a.

2. Respondent Lasting Impression has been using "Micro Colors" "commercially as a trademark for its line of permanent makeup pigments" since April 1992. *Id.* at 3a. In the permanent make-up industry, the term "Micro Colors" is understood to refer to respondents' products. *Id.* at 14a; *see also id.* at 25a. The words "micro colors" are "not commonly used as standard or generic names for the permanent make up pigments" within the industry. J.A. 142.

In 1992, Lasting Impression filed an application with the United States Patent and Trademark Office (PTO) for federal registration of its "Micro Colors" trademark under the Trademark Act of 1946 (Lanham Act), 15 U.S.C. § 1051 *et seq.* J.A. 211; *see* Official Record, U.S. Trademark No. 1,769,592. After full examination, including an amendment requested by the PTO (clarifying that "no claim is made to the exclusive right to use 'colors', apart from the mark as shown," J.A. 211), the PTO examiner determined that the trademark was entitled to registration on the Principal Register and published the mark in the PTO's *Official Gazette* in February 1993 for public comment. Pet. App. 3a; J.A. 214.

On May 11, 1993, the PTO registered Lasting Impression's "Micro Colors" trademark. Pet. App. 3a; J.A. 211-212. "The mark is registered as a design and word mark and consists of a solid black rectangle, with the words 'micro' and 'colors' in reverse white lettering," and the two words are separated by a horizontal green bar. Pet. App. 3a; *see id.* at 20a (reproducing Lasting Impression's registered mark as Appendix A to court of appeals' opinion); J.A. 211.

In 1999, the PTO accorded the "Micro Colors" trademark incontestable status pursuant to the requisite affidavits from respondent Lasting Impression under 15 U.S.C. § 1065. The affidavits established that Lasting Impression had been using the mark on the specified goods continually for the five years since the 1993 registration and that no challenges were pending to the mark. Pet. App. 3a; J.A. 213.

Respondent Lasting Impression is the owner of the "Micro Colors" trademark and respondent MCN International, Inc., as its distributor, is authorized to distribute goods bearing its trademark. Pet. App. 2a. For ease of reference, we often refer below to the respondents collectively as the trademark owners.

3. Petitioner KP Permanent Make-Up is a direct competitor of respondents in the small commercial market of permanent make-up pigment sales. *Id.* at 3a; J.A. 167. Petitioner and respondents "sell their pigments to the same end users." Pet. App. 3a.

B. Proceedings Below

1.a. In January 2000, respondents sent a letter to petitioner requesting that it discontinue use of the term "micro colors" on its marketing and advertising materials and on its pigment bottles. Pet. App. 2a.

In March 2000, petitioner filed a declaratory judgment action in the United States District Court for the Central District of California seeking a declaration that respondents do not have the exclusive use of, or right to use, the term "micro colors" despite their registered, incontestable trademark. Petitioner also requested an order canceling respondents' federal trademark registration, claiming that "micro colors" is a generic term. *Id.* at 2a.

Respondents filed a counterclaim alleging that petitioner had willfully infringed their registered trademark in violation of the Lanham Act and had engaged in unfair competition and false advertising in violation of state law. Pet. App. 4a. Respondents alleged that petitioner's use of the term "micro colors" on its products, *i.e.*, the pigment bottles, and in a stylized format in advertising was infringing their mark. *Ibid.*; J.A. 48-49.

b. Petitioner moved for summary judgment under Fed. R. Civ. P. 56 on its claim for declaratory judgment and on the counterclaim against it for infringement. It raised a long series of arguments, *see* Pet. App. 4a-5a, including that respondents could not prove a likelihood of confusion to establish infringement and that it was entitled to use the mark under the "used fairly and in good faith" provision of 15 U.S.C. § 1115(b)(4). Pet. App. 22a-23a.

Respondents opposed petitioner's motion for summary judgment on the declaratory relief request. Respondents did *not*, however, seek summary judgment on the merits of their infringement counterclaim because they recognized that factual disputes remained. C.A. Supp. E.R. 208 n.2, 303.

Respondents also opposed petitioner's request for summary judgment on its defense under Section 1115(b)(4). Again, however, respondents did *not* seek summary judgment against petitioner on that defense. C.A. Supp. E.R. 112. Respondents sought summary judgment only that (1) their registration of the "Micro Colors" mark is not limited to a composite comprising a design and word mark; (2) the term "Micro Colors" is not generic; and (3) petitioner cannot satisfy the "prior use" defense under 15 U.S.C. § 1065, because it cannot prove state law trademark rights to "micro color." Pet. App. 5a.

2. Petitioner claims in the instant suit that it used the term "microcolor" in conjunction with bottle labels for its injectable pigments and a seminar flyer before

respondents applied for trademark registration and thus can rely upon the fair use defense of Section 1115(b)(4). Pet. Br. 2, 17. Respondents submitted contrary evidence and intend to disprove the claims at trial as described below. Petitioner's claims of continuous prior use cannot be taken as true at this stage of the litigation because it is petitioner's motion for summary judgment that is before the Court. It is respondents' evidence showing that petitioner did not begin using the term "microcolor" in association with its pigments until after respondents had used and registered their trademark "Micro Colors" that must be taken as true. *See Groh v. Ramirez*, 124 S. Ct. 1284, 1293 (2004) ("Because this dispute is before us on petitioner's motion for summary judgment, '[t]he evidence of the nonmovant is to be believed, and all justifiable inferences are to be drawn in [its] favor.'") (citation omitted).[1]

a. The disputed facts include the following. Petitioner submitted a single homemade flyer using the phrase "microcolor pigments" that it claims it distributed for a seminar in 1990 and again in 1991. Pet. App. 3a-4a. Petitioner also submitted a series of form affidavits that it had customers complete stating that the term "microcolor" has been used on "every bottle of KP Permanent Make-up" they had bought and that the labels "remained virtually the same" since their first purchase (dating back to 1991 in most instances). *See, e.g.*, J.A. 117. Petitioner did not submit any direct evidence of the printing of its labels, of the appearance of its bottle labels prior to 1993, any photographs of labels in advertising, any design materials

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[1] The court of appeals correctly articulated this requirement, Pet. App. 5a-6a, and appeared to apply it in its analysis. *Id.* at 11a-12a, 18a. The court's description of the factual and procedural background of the case, *id.* at 3a-5a, however, erroneously recites some contested facts in the light most favorable to petitioner. *See also* Resp. Br. in Opp. 2 (calling attention to errors in petitioner's factual assertions regarding prior use because they were disputed in lower courts). Despite the court of appeals' mistaken recital, the factual disputes remain to be resolved on remand. *See Raytheon Co. v. Hernandez*, 124 S. Ct. 513, 519 n.5, 521 (2003).

for the original labels, or any actual bottles or labels from that time period.

Respondents, however, submitted evidence of actual KP Permanent Make-Up pigment bottles sold by petitioner to four customers that did not bear the term "microcolor" on the labels. J.A. 173, 238-249. That evidence tends to impeach the customer affidavits from petitioner that "microcolor" has been on all of petitioner's bottle labels continuously for the past 13 years. Respondents also submitted an affidavit by one of respondents' owners, who has been in the permanent make-up business since 1984 and has monitored petitioner's activities, which states that petitioner did not use the phrase "micro colors" before 1999. J.A. 58-59, 62.

b. There is no dispute about petitioner's more recent use of the term "microcolor" since 1999. Petitioner started using the term at that time as "the most dominant feature" of an image prominently displayed at the top of its pigment chart in its marketing brochures. Pet. App. 4a. In that stylized format, "microcolor" "sits directly over the word 'pigment'" which is in small size type. *Ibid.*; *id.* at 20a (reproducing petitioner's use of the mark in the marketing brochure as Appendix B to court of appeals' opinion); *id.* at 41a (reprinting complete page of marketing brochure). Petitioner used the marketing brochure with prior knowledge of respondents' use and registration of the "Micro Colors" mark and in retaliation for respondents' then-recent victory against petitioner in a patent infringement action. J.A. 164, 166-167. It is that recent use on the marketing brochure, in addition to the mark's current use on petitioner's bottle labels, that respondents allege infringes their trademark.

Around the time petitioner's marketing brochure appeared, respondent MCN began receiving telephone calls from prospective customers who demonstrated confusion about the source or origin of "Micro Colors" products. The callers asked whether petitioner's and respondent MCN's "microcolor" pigments were the same.

J.A. 171. The callers also requested from respondents products offered only by petitioner. J.A. 170-171.[2]

In response to the customer confusion, respondents published a warning: "BEWARE: MICRO-COLORS® Pigment is the first and only MICRO-COLORS available by MCN. All other brands with similar or identical names are not associated with MCN. Due to the high demand for this superior quality pigment, many imposter pigments have been developed to create confusion in the marketplace. Make an informed purchasing decision: verify that MCN is the manufacturer before you buy. MICRO-COLORS is a federally registered trade name and trademark that is only available via MCN." J.A. 210. Respondents were thereby "distinguishing [the] mark from those who may have used MICRO-COLORS without authorization." Pet. App. 13a.

Although more than 20 other companies sell permanent make-up pigments or related products, no competitor of respondents other than petitioner uses the term "Micro Colors." *Id.* at 25a, 28a; J.A. 131, 133, 136-137. The term is associated with respondents' goods. Pet. App. 14a. One company in the related field of tattooing briefly used the term, but agreed to stop doing so when it learned of respondents' trademark. Pet. App. 28a; J.A. 237.

3. The district court upheld the validity of respondents' mark but ruled that the term "micro colors" standing alone is generic, and if not generic then merely descriptive. Pet. App. 25a-26a. The court also held that the term did not have a secondary meaning, despite the incontestable status of the mark, because that status applied only to the whole composite mark and not the term in the mark. *Id.* at 27a.

The district court also held – without distinguishing between petitioner's alleged use of the term on its pigment bottles and the use of the term on the marketing brochure – that petitioner's current use is allowed under 15 U.S.C. § 1115(b)(4) as a "fair use." The court indicated that respondents had conceded that petitioner had used "microcolor" not as a trademark and only to "describe goods or services." Pet. App. 29a.[3] The district court then apparently accepted petitioner's contention that it had used "microcolor" fairly and in good faith because it had used the term "continuously since 1990 in trade shows and on their bottling labels." *Ibid.* The court did not address respondents' conflicting evidence or petitioner's more recent stylized use of the mark prominently displayed on its marketing brochure. *Ibid.*

The court then concluded that, because it already determined that petitioner "could fairly use the 'micro color' phrase due to the generic or descriptive nature of the phrase," it "need not discuss any demonstration of likelihood of confusion." *Id.* at 30a. For the same reason, the court found it unnecessary to discuss petitioner's "defense of prior use." *Id.* at 29a.

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[2] These facts are based on the affidavit of an MCN employee filed with the district court (docket number 50), in support of respondents' opposition to petitioner's motion for summary judgment. Petitioner raised a variety of objections to the weight the affidavit should be given, but did not dispute that it was properly before the court. C.A. Supp. E.R. 245, 251, 290. The district court mistakenly stated that the affidavit "was not provided to the Court." Pet. App. 30a n.3. That statement appears to be based on the district court's misapprehension that the affidavit was submitted by "Plaintiff," *i.e.*, petitioner, when in fact it was submitted by respondents. *Ibid.* Respondents included the affidavit in the Excerpts of Record and relied on it on appeal. *See* C.A. E.R. 337-339; Resp. C.A. Br. 10-11. Petitioner did not dispute that it was properly before the court of appeals. *See* Pet. C.A. Br. 58, 62.

[3] Respondents' so-called concession was based on their motion for summary judgment argument on petitioner's prior use defense under 15 U.S.C. § 1065. Pet. App. 29a (citing J.A. 126-128). Respondents argued that, taking the facts in the light most favorable to petitioner as the non-movant on the claim, J.A. 124; C.A. Supp. E.R. 126, petitioner used the term "microcolors" on its "bottling labels" and "seminar flyers" descriptively and not as a mark prior to respondents' 1993 registration. J.A. 126, 128. In the same motion, however, respondents stressed that these arguments did not extend to petitioner's stylized use of the term in 1999 in its marketing brochure, which was created *after* respondents had registered their mark. J.A. 125. The district court never mentioned either the 1999 marketing brochures or petitioner's different stylized use of respondents' trademark, instead citing only petitioner's alleged earlier use "on bottling labels and seminar flyers." Pet. App. 29a.

The court entered a judgment ruling that "[t]he words 'micro colors' are generic and incapable of obtaining protection under the laws of Trademark and Unfair Competition," that respondents do not have the exclusive use or rights to the term, and that respondents are "prohibited from interfering with [petitioner's] use of the words." J.A. 175.

4. The court of appeals reversed and remanded for further proceedings. Pet. App. 1a-19a. The court reversed on genericness and mere descriptiveness. It directed that respondents' summary adjudication be granted on the former because a "reasonably minded jury could not conclude from the evidence produced that 'micro colors' is a generic term." *Id.* at 14a. On the latter, the court found that the incontestable registration "is conclusive evidence that ["Micro Colors"] is non-descriptive or has acquired secondary meaning." *Id.* at 15a.

Finally, on the issues of fair use and likelihood of confusion, the court of appeals reasoned that "when the classic fair use defense is raised, it is still necessary to analyze likelihood of confusion." *Id.* at 17a (citation omitted). The court held that, "because in this case there can be no fair use if there is a likelihood of confusion, the likelihood of confusion analysis must be addressed." *Ibid.* The court held that genuine issues of material fact remain concerning likelihood of confusion, and remanded for further proceedings. *Id.* at 18a-19a.

SUMMARY OF ARGUMENT

The Lanham Act provides a defense to a suit alleging infringement of a federally registered trademark if the mark is being used by the alleged infringer otherwise than as a mark only to describe its goods, so long as it does so "fairly and in good faith." 15 U.S.C. § 1115(b)(4). The "used

fairly" provision does not create the absolute defense claimed by petitioner that would allow it to advertise and sell its goods using respondents' incontestable trademark even where such use will harm consumers by causing actual confusion. The Act's plain language, its purposes, and its common law roots in the tort of "unfair competition" do not allow a use that is likely to confuse consumers to be deemed a fair use.

A. Petitioner's argument reads "fairly" out of Section 1115(b)(4) and collapses the phrase "used fairly and in good faith" into a single good faith requirement. But "fairly" and "in good faith" present two different requirements. Just as the "in good faith" requirement looks to whether an infringer subjectively intends to create a likelihood of confusion, the term "fairly" cannot be understood without considering whether the infringer's use objectively causes such a likelihood of confusion.

A confusing use is not fair to consumers because it prevents them from being able to make an informed choice about which goods to purchase in the marketplace. A confusing use also is not fair to the trademark owner because it allows a competitor to profit from the goodwill that the trademark owner developed though investing in its mark. To find otherwise would elevate a competitor's demand to use a trademarked term for selling his similar product over the Lanham Act's function of protecting consumers from confusion. It is especially unfair to consumers to authorize the commercial use of terms that are likely to confuse them about the source and quality of goods that could adversely affect their health, such as the injectable pigments for permanent make-up at issue in this case.

B. Petitioner's argument defeats the central and overriding purpose of the Lanham Act – to prevent consumer confusion as to the source of goods. The Act prevents such confusion by prohibiting others from copying a mark that identifies the source of certain goods. Thus, only words that serve to "identify and distinguish" a person's goods from goods made or sold by others are entitled to be registered as trademarks. 15 U.S.C. § 1052. The court of appeals correctly determined that respondents' mark – "Micro Colors" – is properly registered and is an inherently distinctive mark, *i.e.*, it is "nondescriptive or has acquired secondary meaning." Pet. App. 15a.

None of the Act's other defenses permit the unlimited confusing uses that petitioner claims here under Section 1115(b)(4). As petitioner's *amicus* the United States explains, courts have held that proof of likelihood of confusion can overcome certain other statutory defenses in the same subsection. The same is true for the "used fairly and in good faith" defense in Section 1115(b)(4). Also, other defenses involving prior use that allow confusing uses do so only subject to geographic restrictions, again evidencing Congress's close attention and intent not to allow unrestricted confusing uses.

Congress's restriction on confusing uses of federally registered trademarks, including the "used fairly and in good faith" requirement, does not create free speech or anti-competitive problems as petitioner claims. The First Amendment does not bar Congress's prohibition on uses of marks that are likely to confuse consumers. The Lanham Act expressly exempts antitrust violations from trademark protection and also reinforces federal enforcement authority. Moreover, the overall statutory scheme makes clear that it does not remove words or terms from common usage. Only commercial uses of a registered trademark can give rise to liability for infringement and the mark must be in active use to distinguish goods in order to maintain its registration. Petitioner failed to avail itself of the comprehensive administrative procedures for challenging the registration of respondents' trademark. It should not be permitted to expand the Section 1115(b)(4) defense to address concerns that Congress intended to be addressed in those administrative examination and cancellation processes.

C. The term "used fairly" was enacted as part of the Lanham Act in 1946 and must be read against the background of the then-existing common law relating to the tort of "unfair competition." By the time of enactment, this Court had held that it was "unfair" under the common law for a competitor to use a descriptive term that had acquired secondary meaning for another party's goods in a manner that was likely to confuse. *See, e.g., Herring-Hall-Marvin Safe Co. v. Hall's Safe Co.*, 208 U.S. 554 (1908); *Baglin v. Cusenier Co.*, 221 U.S. 580 (1911). The Lanham Act also was intended to comply with then-existing treaty obligations to prohibit and redress unfair competition. There is no evidence Congress intended to codify an exception for unlimited confusing uses.

D. Petitioner relies heavily on a claim that consideration of likelihood of confusion in Section 1115(b)(4)'s "used fairly and in good faith" defense would impermissibly overlap with the mark owner's burden under Section 1114 to show likelihood of confusion to establish infringement. As originally enacted in 1946, however, Section 1115(b)(4) did not apply to Section 1114 infringement actions. Section 1115(b)(4) was a defense only for incontestable marks – where a conclusive presumption eliminated the need for the mark owner to show likelihood of confusion.

Congress did not intend for its 1988 amendment of Section 1115 to allow unfettered confusing uses under Section 1115(b)(4). Congress amended Section 1115 to make incontestable marks subject to infringement in the same manner as other marks under Section 1114, and also to make the Section 1115(b) defenses applicable to infringement actions under Section 1114. Congress made only technical amendments to Section 1115(b)(4) and gave no indication of an intent to expand the meaning of that defense. The unintended consequence of the amendments is that Section 1115(b)(4) serves to emphasize that a court must not allow uses that unfairly confuse consumers. Such defenses that substantially mirror a plaintiff's burden to establish liability, are not uncommon, particularly in a statute that has been the subject of significant amendments over the course of almost 60 years.

Assessing likelihood of confusion under Section 1115(b)(4) does not impose a significant limit on disposition of claims through summary judgment. The objective inquiry is no less conducive to summary judgment proceedings than the determination of the subjective "good faith" component of the Section 1115(b)(4) defense.

Even if the Court were to reject the view that a finding of likelihood of confusion should preclude a defense that the mark is being "used fairly," the Court should affirm the court of appeals and recognize, as several of petitioner's own *amici* urge, that "used fairly" must be given a meaning that includes some consideration of likelihood of confusion.

ARGUMENT

PETITIONER IS NOT ENTITLED TO USE RESPONDENTS' REGISTERED TRADEMARK IN CONNECTION WITH THE SALE OF ITS GOODS, IF PETITIONER'S USE CREATES A LIKELIHOOD OF CONFUSION SUCH THAT THE MARK IS NOT BEING "USED FAIRLY" WITHIN THE MEANING OF 15 U.S.C. § 1115(b)(4)

Petitioner claims (Pet. Br. i) that it is entitled to an "absolute defense" under 15 U.S.C. § 1115(b)(4) that allows it to use respondents' incontestable, federally registered trademark to sell and advertise petitioner's goods even where, as in this case, there is evidence that such use causes actual confusion among consumers. *See* pages 5-6, *supra*.[4] Petitioner's argument ignores the "used fairly" language of Section 1115(b)(4). Properly interpreted according to its plain language and statutory purpose, the "used fairly" defense cannot be allowed to authorize confusing uses that harm consumers.

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[4] In addition to evidence of actual confusion, the court of appeals correctly found that there were disputes of material fact regarding whether petitioner's use was likely to cause consumer confusion. Pet. App. 18a-19a (listing factors relied upon to assess likelihood of confusion).

A. The Plain Text Of Section 1115(b)(4) Requires That A Mark Be "Used Fairly," Which Prohibits Uses That Are Likely To Confuse Consumers

1. Petitioner reads "used fairly" out of Section 1115(b)(4)

Petitioner's insistence that it is entitled to use respondents' mark notwithstanding confusion is based on its transformation of the "used fairly and in good faith" element in 15 U.S.C. § 1115(b)(4) into a truncated "good faith" determination.

Sections 1114 and 1115 of Title 15 of the United States Code, originally enacted as Sections 32 and 33 of the Trademark Act of 1946 (Lanham Act), ch. 540, 60 Stat. 427, 437-439 (1946), address infringement claims and defenses to such claims. Section 1115(b) concerns trademarks, such as respondents', that are incontestable. As currently codified, Section 1115(b) provides that an incontestable mark owner's conclusive evidence of a right to use the registered mark is "subject to proof of infringement" under Section 1114 and shall be subject to certain listed "defenses or defects," including:

> That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own business, or the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin.

15 U.S.C. § 1115(b)(4).

Petitioner contends (Pet. Br. 9) that the Section 1115(b)(4) defense requires proof of "three elements": (1) "that the proponent of the defense not use the disputed term as a mark;" (2) that the term is being used "only to describe goods or services;" and (3) that "use of the term is done 'fairly and in good faith.'" Pet. Br. 9. Petitioner's discussion of the third element, "fairly and in good faith," however, addresses only one-half of that requirement – "good faith." *Id.* at 13-16.

Petitioner literally reads "fairly" out of the defense by collapsing the phrase "used fairly and in good faith" into a single good faith requirement. Petitioner concludes its brief with a statement of its "fair use" defense that omits the term "fair" altogether. *Id.* at 36. Petitioner's sleight of hand is contrary to the fundamental requirement of statutory construction that each of the words in a statute be given "a particular, nonsuperfluous meaning." *Bailey v. United States*, 516 U.S. 137, 146 (1995).

"Fairly" and "in good faith" present two different types of requirements. "Fairly" is an objective requirement and "good faith" goes to the subjective intent of the alleged infringer. *See* Pet. Br. 16; U.S. Br. 14. This dual requirement to avoid liability harkens to the common law rules governing unfair competition. *See* pages 31-37, *infra*. Indeed, petitioner's own insistence that its "good faith" use be measured by whether it has an "intent to create an actual likelihood of confusion," Pet. Br. 15, suggests, if not demands, that "fairly" also should be measured by reference to "likelihood of confusion."

2. Whether a mark is "used fairly" requires consideration of likelihood of confusion, as several of petitioner's own *amici* recognize

a. In the context of the Lanham Act, the phrase "used fairly" cannot be understood without considering evidence of likelihood of confusion. This result is demanded by the purposes of the Act and the statute's common law roots in the tort of "unfair competition," which deemed conduct by competitors that was likely to confuse consumers to be "unfair." *See* pages 31-37, *infra*. Neither petitioner nor its *amici* offer any other referent by which to judge whether a non-mark owner's conduct is being used "fairly."

Two of petitioner's *amici* explicitly acknowledge that the extent a use is likely to confuse consumers will be an important, if not dispositive, consideration in determining whether a use is fair. Thus, although purporting to agree with petitioner, they actually reject petitioner's "absolute defense" (Pet. Br. i) approach. The American Intellectual Property Law Association (AIPLA) urges reversal but specifically emphasizes that the Court "should avoid establishing any * * * absolute rule against considering likelihood of confusion" under the Section 1115(b)(4) defense. *Amicus* Br. of AIPLA 2. Similarly, the International Trademark Association (INTA) explains that certain types of evidence are relevant to both the Section 1115(b)(4) inquiry and the likely confusion issue. *Amicus* Br. of INTA 5. It "urges the Court not to adopt a reading of section [1115(b)(4)] that would eliminate consideration of evidence relevant to likelihood of confusion if that evidence is also germane to the fair use defense." *Ibid.* Indeed, INTA explains that a court "should consider instances of actual confusion generated by the defendant's use in its analysis, just as other evidence bearing on the issue of likely confusion may also be probative of whether a challenged use is fair." *Id.* at 18-19.

The *Restatement (Third) of Unfair Competition* (1993) urges a similar approach. In its view, "the strength of the plaintiff's mark and the extent of likely or actual confusion are important factors in determining whether a use is fair" and "a use that is likely to create substantial confusion will not ordinarily be considered a fair use." *Id.* § 28 cmt. b. The treatise cited by the United States (U.S. Br. 20 n.22) reaches the same conclusion and advises that "[w]hether use of a term or phrase is likely to cause confusion with plaintiff's products may * * * be relevant to determining if the defendant is, in fact, making fair use of the plaintiff's mark." 3 Jerome Gilson *et al.*, *Trademark Protection and Practice* § 11.08[3][d][i][D] (2004).

Even the United States cannot avoid the relevance of such evidence. The United States insists that "fair" is determined through a "factual analysis" of the "physical manner and context" of each use. U.S. Br. 14 n.14. But the United States never explains why the physical manner and context of the use of the mark would be relevant except to determine whether the use is likely to confuse consumers. A term is not used fairly or accurately if the physical manner and context are likely to convey the message that petitioner's product is actually respondents'.

b. If a competitor's use of a mark is likely to confuse consumers, the mark is not being "used fairly" within the meaning of Section 1115(b)(4), because it treats consumers and the trademark owner unfairly.

A confusing use is not fair to consumers because it prevents them from being able to make an informed choice about which goods to purchase in the marketplace. Consumers who unintentionally purchase a competitor's goods are almost always inconvenienced or disappointed because they did not receive what they intended.

A confusing use is not fair to the trademark owner because it allows a competitor to profit from the goodwill that the trademark owner developed though investing in its mark. The competitor gains that benefit without any comparable investment or any compensation to the owner for the benefit.[5]

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[5] The United States notes at one point (U.S. Br. 25) that Congress was concerned with "the public viewpoint" in addition to the trademark owner's viewpoint, but then points only to the interests of commercial competitors. Yet the public benefits only when it is treated fairly and not confused by business practices.

The United States also contends (U.S. Br. 15-16 n.16) that interpreting the "fair use" defense to allow confusing uses "conforms" with the country's obligations under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), Apr. 15, 1994, Annex 1C, Art. 17, 33 I.L.M. 1197, 1204 (1994). TRIPS allows signatories to permit "fair use of descriptive terms" only if they "take account of the legitimate interests of the owner of the trademark and of third parties." Interpreting "used fairly" in Section 1115(b)(4), as respondents do, to allow only uses that are not likely to confuse, is more faithful to TRIPS because it takes into account both the "legitimate interests of the owner of the trademark" in obtaining the full measure of goodwill that it has developed through its investment, as well as the "legitimate interests" of "third parties" such as consumers in avoiding confusion. Moreover, the United States' proposed interpretation of Section 1115(b)(4) does not conform with the country's extant international obligations at the time it was enacted by Congress. *See* pages 39-40, *infra*.

Thus, an alleged infringer's "use should be deemed 'fair' only if it is non-confusing. In many cases, the two defenses of fair use and lack of likelihood of confusion will blend together." 2 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 11:47 (4th ed. 2004). To find otherwise would elevate a competitor's demand to use a trademarked term for selling his similar product over the Act's function of protecting consumers from confusion.

3. Under any test of fairness, a likelihood of confusion that could adversely affect consumer health must be a relevant consideration

It is especially unfair to consumers and inconsistent with the purposes of the Lanham Act to authorize the commercial use of terms that are likely to confuse consumers about the source and quality of goods that could adversely affect their health. Avoidance of confusion is particularly important where a difference in the quality of the goods sold can raise serious health concerns because the goods are injected into the body. *Cf. Morgenstern Chem. Co. v. G.D. Searle & Co.*, 253 F.2d 390, 393-394 (3d Cir.) (trademark law plays special role in protecting consumers from confusing drugs and medicinal preparations), *cert. denied*, 358 U.S. 816 (1958); *Syntex Labs., Inc. v. Norwich Pharmacal Co.*, 437 F.2d 566, 569 (2d Cir. 1971) (same).

The permanent make-up process involves "an invasive procedure that permanently alters the human skin." Charles S. Zwerling, MD, *et al.*, *Micropigmentation: State of the Art* 211 (2d ed. 1993). In that process, a liquid pigment is injected into the skin through one of a variety of means, usually through an electronic handheld tool. *Id.* at 19, 133.

If a pigment contains ingredients not appropriate for such internal bodily use, or has been contaminated through packaging or storage, or has not been sterilized or not tested, there is a possibility that the process could cause adverse health consequences. Indeed, the Food and Drug Administration (FDA) recently issued a warning to consumers about the products of a different permanent make-up competitor that were reported to the FDA to be causing adverse effects, including "serious disfigurement, resulting in difficulty in eating and talking." *FDA Alerts Consumers About Adverse Events Associated With "Permanent Makeup,"* (July 2, 2004), *available at* www.fda.gov/bbs/topics/answers/2004/ANS01295.html.[6] The risk of consumer injury is particularly poignant in many cases because the permanent make-up procedure often is used with clients who previously suffered disfigurement or disease, and often is applied to the most prominent features of a person's face. J.A. 130-131.

Respondents' injectable pigments, sold under their incontestable, registered trademark "Micro Colors," meet the highest quality standards in the industry and are marketed as such. *See* J.A. 233 (advertising that pigments are "Gamma sterilized; Lot & date coded to assure quality and freshness; Widely used in medical and cosmetic industry; * * * Ingredient list on label; Made with FDA approved ingredients for cosmetic use"). Their inorganic pigments are created with an Iron-Oxide base "to reduce the probability of allergic reaction." J.A. 231. Respondents subject their pigments to several inspections for "strict quality control for * * * safety and protection" and send them through a "three-point sterilization process" to ensure "the highest standard of sterilization offered in today's market." J.A. 209.

By contrast, petitioner does not sterilize its pigments and its bottles do not include lot or date code information. J.A. 174, 238-249.

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[6] The manufacturer in that instance voluntarily recalled its pigments, but a recall is effective only so long as the consumers who currently have the product in stock or in use are not confused about the identity of the goods or the manufacturer or marketer. Consumer confusion undermines a recall because consumers may not be clear on which products to pull from their inventory.

Because respondents' "Micro Colors" products are known for their high quality, consumers willingly pay a higher price for their goods. Respondents' reputation for a higher quality product no doubt presents an attractive opportunity to competitors who would like to free-ride on respondents' good will. Trademark law was intended to prevent just such misappropriations. *See Qualitex Co. v. Jacobson Prods. Co., Inc.*, 514 U.S. 159, 164 (1995) (trademark law "'encourage[s] the production of quality products,' and simultaneously discourages those who hope to sell inferior products by capitalizing on a consumer's inability quickly to evaluate the quality of an item offered for sale") (citation omitted).

Confusing use by a competitor, such as petitioner, who does not meet the same standards of testing and quality ingredients as respondents creates a risk for consumers. As petitioner concedes (Pet. Br. 21 n.10), consumer concerns about quality extends to the health of a consumer's clients, as well as the consequent risk to their business's own good will. Customers who buy "Micro Colors" pigments because they want injectable pigments that have been sterilized and tested by respondents must accurately understand that that is what they are buying, without being confused with other pigments produced by another company about which they do not have such assurances.

B. Petitioner's Absolute Defense Is Contrary To The Purposes And Structure Of The Lanham Act

1. Petitioner's absolute defense defeats the Act's core purpose to prohibit consumer confusion

a. Petitioner's argument defeats the central and overriding purpose of the Lanham Act – to prevent consumer confusion as to the source of goods. The statute declares that the "intent of this Act is to regulate commerce * * * by making actionable the deceptive and misleading use of marks in such commerce; * * * to protect persons engaged in such commerce against unfair competition; [and] to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks." 15 U.S.C. § 1127.

Trademark law achieves these goals "by preventing others from copying a source-identifying mark." *Qualitex*, 514 U.S. at 163. That prohibition "'reduc[es] the customer's costs of shopping and making purchasing decisions,' for it quickly and easily assures a potential customer that *this* item – the item with this mark – is made by the same producer as other similarly marked items that he or she liked (or disliked) in the past." *Id.* at 163-164 (quoting 1 J. McCarthy, *McCarthy on Trademarks and Unfair Competition* § 2:01[2] (3d ed. 1994)). The Act's grant to a trademark owner of the "exclusive control" of a trademark in the commercial arena also benefits the public because it "ensure[s] that the [mark owner] receives the benefit of its own efforts so that [it] will have an incentive to continue to produce a 'quality product.'" *San Francisco Arts & Athletics, Inc. v. United States Olympic Comm.*, 483 U.S. 522, 537 (1987) (citing 1 J. McCarthy, *Trademarks and Unfair Competition* § 2:1 (2d ed. 1984)).

Consequently, the statute allows registration of a term or word only if it is used by a person to "identify and distinguish" his or her goods from goods made or sold by others. 15 U.S.C. §§ 1127, 1052. Courts have drawn from the common law three categories of words and terms that are "inherently distinctive" of an individual's goods and registerable by the PTO as trademarks: fanciful terms (*e.g.*, a term such as "Kodak" that did not exist in the language before use as a trademark), arbitrary terms (*e.g.*, a term such as "Apple" used in association with goods such as computers or a record label, where the term was not otherwise associated with the particular goods before the use of the trademark), and suggestive terms (*e.g.*, a term such as "Chicken of the Sea" used in association with tuna that suggests the nature or source of the goods without describing them). *See Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992).

By contrast, the statute does not allow registration of generic terms, *i.e.*, words that simply "identify the product, rather than the product's source," Pet. App. 7a, *e.g.*, the term "bundt" used as the name of a cake mix. *See San Francisco Arts & Athletics*, 483 U.S. at 531 n.7 (citing 1 J. McCarthy, *Trademarks and Unfair Competition* § 12:1 (2d ed. 1984)).

And the statute does not allow registration of merely descriptive terms, 15 U.S.C. § 1052(e)(1), because, like generic words, they do not distinguish a particular merchant's goods. A descriptive term is registrable only if it has acquired distinctiveness through use (*i.e.*, secondary meaning) and thus distinguishes the goods of the registration applicant from those of another in the minds of consumers. *Id.* § 1052(f); *see Two Pesos*, 505 U.S. at 769.[7]

b. Petitioner disregards this overall statutory purpose, however, by focusing solely on descriptive terms and suggests (Pet. Br. 14) that confusing uses of descriptive marks must be allowed even if those descriptive terms have achieved secondary meaning in the minds of consumers.

That argument is irrelevant, however, under petitioner's own interpretation of the Section 1115(b)(4) defense, which would apply the defense to *all* trademarks, including those that are non-descriptive and are, instead, inherently distinctive, *e.g.*, suggestive, arbitrary, and fanciful marks. Pet. Br. 12-13; *see also* U.S. Br. 21 n.23. The purported "risk" taken by owners of descriptive marks would not justify confusing use of inherently distinctive marks. Similarly, petitioner's repeated insistence that the Court must adopt its absolute view and allow confusing uses in order to ensure that descriptive marks remain available has no relevance to confusing uses of inherently distinctive marks. In any event, it would be contrary to the text and purposes of the Act to allow a competitor to confuse consumers simply because a mark owner has exercised its statutory right to register a mark composed of a descriptive term that has acquired secondary meaning. *See also* pages 23-24, *infra* (courts will not allow consumer confusion to continue despite mark owners inequitable conduct).[8]

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[7] Trademark registration also is not allowed for "functional" matter, 15 U.S.C. §§ 1052(e)(5), 1115(b)(8), which is matter that is "essential to the use or purpose of the article" or that "affects the cost or quality of the article" because that is for patent law to protect. *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 32 (2001).

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[8] If, by contrast, petitioner is wrong (as contended in the Brief in Opposition at 4-5) and only marks composed of descriptive words are subject to the fair use defense, then the Ninth Circuit properly reversed the entry of summary judgment in favor of petitioner on its fair use defense because "Micro Colors" is not a descriptive term. The court of appeals expressly ruled that respondents' "incontestable registration is conclusive evidence that the mark *is non-descriptive or has acquired secondary meaning*." Pet. App. 15a (emphasis added). Petitioner did not seek further review of that ruling.

Respondents' mark is inherently distinctive, constituting either a suggestive or fanciful mark. "Micro Colors" is not an ordinary English word because there is not a primary meaning for the word. Petitioner has not identified a single dictionary in which the term "microcolor" is found. "Micro" is a quantifier of size that would not, in ordinary usage, modify "color" which is something that is not susceptible to measurement by size. Nor is the term used generally by the industry to describe pigments. Pet. App. 14a; J.A. 142. "Micro Colors" does not describe the goods at issue. The term is suggestive of the liquid pigments because it requires imagination to bring to mind the ultimate "micro" or small design that will result in color on a person's body if the pigment is injected through the permanent make-up process, or to bring to mind the application of the pigment through use of a microscope.

The fact that the PTO registered respondents' mark without demanding proof of secondary meaning demonstrates that the expert administrative agency concluded that the term is inherently distinctive and not descriptive. *See GTE Corp. v. Williams*, 904 F.2d 536, 538 (10th Cir.) ("most courts that have considered the issue do hold that the Patent and Trademark Office's decision to register a mark without requiring proof of secondary meaning creates a rebuttable presumption that the mark is suggestive, arbitrary, or fanciful rather than merely descriptive."), *cert. denied*, 498 U.S. 998 (1990).

2. None of the Act's other defenses or limitations permit the unlimited confusing uses that petitioner claims here

There are nine "defenses or defects" listed under Section 1115(b). Subsections (1), (2), and (8) set forth defects in the manner that the trademark owner acquired, registered, or holds the mark. Under these provisions, if the mark is obtained fraudulently, is abandoned, or is functional, 15 U.S.C. § 1115(b)(1), (2), (8), a question regarding likelihood of confusion does not arise in an infringement action under Section 1114 because there is no registered mark to be infringed.

Subsections (3), (7), and (9) are defenses that focus on the mark owner's illegal or inequitable conduct (owner using mark to misrepresent the source of goods or to violate federal antitrust laws; or laches, estoppel or acquiescence applicable against owner). Those defenses, the first two of which are rarely invoked, excuse infringement and eliminate the infringer's liability.

Significantly, likelihood of confusion can "trump[]" subsection (9) defenses. *See, e.g.*, *Resorts of Pinehurst, Inc. v. Pinehurst Nat'l Corp.*, 148 F.3d 417, 423 (4th Cir.), *cert. dismissed*, 525 U.S. 1051 (1998) ("strong proof" of likelihood of confusion trumped subsection (9) defenses of laches and acquiescence). Indeed, the United States acknowledges that these defenses do not permit competitors to engage in uses that will likely confuse consumers, noting with approval that "a number of courts have allowed plaintiffs to respond to invocations of * * * equitable defenses (Section 1115(b)(9)) with evidence of consumer confusion." U.S. Br. 23 n.24. The United States does not reconcile its approval of those cases with its view that a showing of likelihood of confusion cannot overcome the Section 1115(b)(4) defense.

Similarly, a finding of "unclean hands" on the part of the mark owner, the common law equivalent of subsections (3) and (7), *see* 5 McCarthy, *supra*, §§ 31:56, 31:91, will not mandate that a court allow an infringer's confusing use.

See Bell v. Streetwise Records, Ltd., 761 F.2d 67, 76 (1st Cir. 1985) (Breyer, J., and Coffin, J., concurring) ("[W]e do not view the 'unclean hands' doctrine as sufficient, on the facts of this case, to justify continuation of public confusion."); *Republic Molding Corp. v. B.W. Photo Utils.*, 319 F.2d 347, 350 (9th Cir. 1963) ("the court should not automatically condone the defendant's infractions because the plaintiff is also blameworthy, thereby leaving two wrongs unremedied and increasing the injury to the public").

Finally, subsections (5) and (6) are defenses akin to subsection (4). Like the "used fairly" defense in subsection (4), subsections (5) and (6) grant narrow exceptions from liability based on certain conduct of the alleged infringer. Under subsection (5), an alleged infringer is allowed to continue its use if it can show that it adopted the mark without knowledge of and prior to when the registrant filed its application with the PTO and has used it continuously since that time. 15 U.S.C. § 1115(b)(5). Under subsection (6), an alleged infringer is allowed to continue its use if it can show that it registered and used the mark prior to when the registrant registered its mark and has not abandoned it. *Id.* § 1115(b)(6). In both instances, the allowed use is restricted, however, to the geographic "area" in which such prior use is shown.

Petitioner reads subsection (4) so broadly, however, that petitioner and others can claim "fair use" merely based on prior use and then use the mark without the geographic restriction intended under subsections (5) and (6), so long as they meet the other subsection (4) requirements, regardless of whether it confuses consumers.[9] Thus, under petitioner's view, an alleged infringer has little reason to rely on the "prior use" exceptions in subsections (b)(5) and (b)(6).[10]

3. The Act does not place a significant restriction on speech or competition that requires petitioner's atextual reading of "used fairly"

Petitioner appears to argue that its proposed truncated "good faith" defense is necessary to preclude significant restrictions on speech. Pet. Br. 6-7, 35-36. Similarly, the United States attempts to support its reading of Section 1115(b)(4) by invoking concerns about anti-competitive effects of trademark protections. U.S. Br. 23-24.

These concerns are misplaced. In enacting the Lanham Act, Congress crafted a statutory framework and administrative scheme to encourage truthful commercial speech and fair competition while avoiding conduct that is likely to cause consumer confusion. There is nothing in the provision allowing a term to be "used fairly" that upsets that balance.

a. Federal trademark law does not impinge on the First Amendment. There is no First Amendment bar to Congress prohibiting a trademark owner's competitors from using its mark in connection with the sale or advertising of

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[9] In this case, for example, petitioner claims that its use of the term "microcolor" in connection with its goods is a "fair" use because, according to petitioner, it has continuously used the term on its products before respondents did. Pet. Br. 20. One of its *amici* likewise relies on this factual claim to explain their support of petitioner. *See* AIPLA Br. 17. As noted above, that claim cannot be accepted as true given the procedural posture of this case and the fact that respondents have submitted evidence of petitioner's old pigment bottles with labels that do not contain the term "microcolor," as well as an affidavit attesting that petitioner did not use the term before 1999. *See* page 5, *supra*.

(Continued on following page)

[10] Petitioner originally contended that it was using the term as a mark and had obtained common law trademark rights to the term, which would have barred respondents' claim to incontestability under 15 U.S.C. § 1065, at the same time it contended that it was using the term otherwise than as a mark under 15 U.S.C. § 1115(b)(4). *See* C.A. Supp. E.R. 21-24, 31-33. In light of the tension between these arguments, petitioner presented them in the alternative in the district court, *see* C.A. Supp. E.R. 164, and did not raise the former claim in the court of appeals.

products where there is a likelihood of confusion. To the contrary, this Court has held that a statute that goes much further than Section 1114 and absolutely prohibits, without regard to likelihood of confusion and without a fair use defense, the commercial use of the mark "Olympic" by persons other than its owner does not violate the First Amendment. *See San Francisco Arts & Athletics*, 483 U.S. at 530 n.5, 531, 540-541 (upholding Section 110 of the Amateur Sports Act). The Court reasoned that the First Amendment does not prohibit Congress from granting a party "exclusive control of uses of" a word in the commercial arena, because "when a word acquires value 'as the result of organization and the expenditure of labor, skill, and money' by an entity, that entity constitutionally may obtain a limited property right in the word." *Id.* at 532. The same rationale applies to Section 1114 which prohibits only commercial speech that is shown likely to confuse or deceive consumers. *See id.* at 535 n.12.

b. The Act exempts antitrust violations from trademark protection and reinforces federal enforcement authority. Congress directly addressed anti-competitive commercial concerns by creating a specific defense against infringement actions if a trademark owner has used, or is using, a mark "to violate the antitrust laws of the United States." 15 U.S.C. § 1115(b)(7). This defense is seldom invoked because trademarks are rarely tools for violation of the antitrust laws, *see* 5 McCarthy, *supra*, § 31:91, but it remains available. The United States fails to explain why that explicit provision is not adequate to address whatever anti-competitive concerns underlie its position.

Moreover, Congress enacted another express provision to make clear that the Federal Trade Commission (FTC) and the Department of Justice's authority under the antitrust laws would not be modified or restricted by the Act. *See* Lanham Act § 46(a), 60 Stat. at 445 (reprinted at 15 U.S.C. § 1051 note). The Act also ensures a role for the

FTC in overseeing the registration of marks to protect consumer interests. The Act explicitly authorizes the FTC to apply to cancel any mark if the mark, *inter alia*, is generic or functional, has been abandoned, was obtained fraudulently, or is being used by the registrant so as to misrepresent the source of the goods or services on or in connection with which the mark is used. *See* 15 U.S.C. § 1064. Nonetheless, the United States seeks to make it easier for competitors to create greater levels of consumer confusion through an expanded fair use defense, and does so without any indication of the views of the FTC on the matter.

c. The statutory trademark scheme does not remove words or terms from common usage. As explained above, pages 20-21, *supra*, generic and merely descriptive terms cannot be registered as trademarks. Moreover, genericness can always be raised as a ground to cancel a mark or to challenge the validity of even an incontestable mark. *See* 15 U.S.C. §§ 1064(3), 1065(4).

Thus, Congress made clear that any word – even a fanciful word created by the owner – that is registered as a mark but later becomes generic would lose its registration. *See ibid.* This eliminates the concern that such a word will be perpetually monopolized by the original creator even after it loses its distinctiveness in the public mind. Indeed, a number of fanciful words that were invented to distinguish a particular product have entered into the common lexicon to describe the genus of goods, including aspirin, cellophane, escalator, thermos, and yo-yo. *See* 2 McCarthy, *supra*, § 12:18.

Furthermore, federal law does not remove from common usage the words or terms in registered trademarks. Only commercial uses of a registered trademark can give rise to liability for infringement. *See* 15 U.S.C. § 1114(1)(a). And the trademark owner is accorded exclusive rights to use its mark only in the context of commerce, and only with respect to the goods that the owner specified in its application (or subsequent amendment or renewal). *See id.* § 1115(a), (b).[11] And liability attaches only if the use of the mark by another is likely to cause confusion. *See id.* § 1114(1).

Congress also established a series of requirements to ensure that only trademarks that are in active use can maintain registration. In order to qualify for registration, the mark must normally already be "used in commerce." 15 U.S.C. § 1051(a)(1); *see also id.* § 1051(b)(1) & (d). After the mark has been on the Principal Register for the initial five years, the mark owner must again prove that the mark is being actually used on goods in commerce by showing current use of the mark – if the owner does not, the mark must be cancelled. *Id.* § 1058(a)(1), (b). And the owner must again show its continuing active use of the mark in commerce every ten years to renew its registry of a mark, or the mark must be cancelled. *Id.* § 1058(a)(3).

Congress expressly ensured that persons could not horde unused marks, requiring in each of the above situations that the mark's use be a "bona fide use of such mark made in the ordinary course of trade, and not made merely to reserve a right in a mark." *Id.* § 1127. Moreover, if a mark is not used for three consecutive years, that is "prima facie evidence of abandonment." *Id.* § 1127. Abandonment can always be raised as a ground to cancel a mark or to challenge the ownership of even an incontestable mark. *Id.* §§ 1064(3), 1115(b)(2).

d. The administrative examination procedure, not the fair use defense, best prevents invalid registrations. Petitioner's argument is rooted in its view that the PTO erred in granting registration to respondents' "Micro Colors" trademark. Pet. Br. 6 (raising concern of clearly descriptive marks that "inadvertently escaped the attention of the trademark examining attorney"); *id.* at 34 (invoking need to protect against "obviously descriptive" or generic term "mistakenly granted" registration). But respondents have complied with every aspect of the law and the PTO's rules and met all of the applicable requirements for registration and obtaining incontestable status.

The United States, as *amicus*, likewise completely ignores the Act's comprehensive administrative scheme, notwithstanding the presence of the PTO on its brief. The United States thus appears to agree with petitioner's suggestion that the PTO should be presumed to regularly make mistakes. There is no basis for such an assumption. *See National Archives and Records Admin. v. Favish*, 124 S. Ct. 1570, 1582 (2004) ("there is a presumption of legitimacy accorded to the Government's official conduct" and "where the presumption is applicable, clear evidence is usually required to displace it").

To the contrary, Congress provided for a comprehensive administrative scheme to screen out marks ineligible for registrations. An examiner at the PTO engages in a "complete examination" of a registration application, which "includes a search for conflicting marks and an examination of the written application, the drawing and any specimen(s), to determine whether the mark is eligible for the type of registration requested." U.S. Patent and Trademark Office, *Trademark Manual of Examining Procedure (TMEP)* § 704.01 (3d ed. 2003); *see also id.* §§ 1207.01, 1209.03, 1211.02(b) (describing databases searched to ensure that there is no confusing similarity with earlier marks, and that term is not merely descriptive nor primarily merely a surname). The examiner may require additional information as may be reasonably necessary to the proper examination of the application. 37 C.F.R. § 2.61(b).

Persons objecting to the registration may file a letter of protest while the application is before the examiner, and may formally oppose the application after the PTO has published the mark in the *Official Gazette* for public notice and comment. *See* 15 U.S.C. § 1067(a); *TMEP, supra*, § 1715.01(a). A person seeking to challenge the registration has five more years after registration during which it can file for cancellation of the mark on any of the myriad statutory grounds. *See* 15 U.S.C. § 1064(1).

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[11] For example, the PTO's registration of respondents' "Micro Colors" trademark attached a copy of the mark and information from the application that specifies that the mark is registered only "for color pigments, in class 2," J.A. 211, a class that includes "[p]aints, * * * ; colorants; mordants; [and] raw natural resins," 37 C.F.R. § 6.1.

For example, if petitioner had, in fact, been using the term "Micro Colors" to distinguish and identify its goods in the market before respondents applied to register the mark, petitioner could have protested to prevent the registration and, if registration were nonetheless granted, petitioned to cancel respondents' mark on the ground that it was so similar to its pre-existing mark that it was likely to cause confusion. *See* 15 U.S.C. § 1064(1) (cancellation); *id.* § 1052(d) (non-registrability grounds). The fact that petitioner had failed to register the trademark would not have prevented such an effort. *See id.* § 1052(d); 3 McCarthy, *supra*, § 20:14.

Even after its sixth year of registry, a person can still seek to cancel a registration on a number of grounds, including genericness. *See id.* § 1064(3); *Park 'n Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 195 (1985). Moreover, even after a mark has become incontestable, as has respondents', a person can still argue that it had owned the mark before it had been registered and thus the mark was not incontestable. *See* 15 U.S.C. § 1065.

If petitioner had pursued any of these administrative avenues of relief, the case would have been subject to an *inter partes* proceeding, heard by an expert administrative body where the parties would have been allowed full discovery and an opportunity for argument. *See* 15 U.S.C. § 1067(a); 37 C.F.R. §§ 2.120, 2.129. And any aggrieved person would have had access to judicial review of the PTO's ultimate decision. *See* 15 U.S.C. § 1071.

Petitioner's failure to invoke these processes suggests that it knew it could not have prevailed before the PTO.[12] The arguments that petitioner raises in this case are precisely what the examination procedure is designed to address. It should not be allowed now to obtain an expansion of the "used fairly" defense beyond what Congress intended.

C. Interpreting Section 1115(b)(4) To Require Consideration Of Likelihood Of Confusion Is Consistent With The Common Law And International Obligations At The Time Of The Act's Enactment

1. The common law of "unfair competition" prohibited confusing uses of even descriptive words with secondary meaning

a. The term "used fairly," first enacted as part of the Lanham Act in 1946, must be read against the background of the then-existing common law relating to the tort of "unfair competition." It is that meaning that Congress would have intended to reference in the statute. *See* 15 U.S.C. § 1127 (Act's intent "to protect persons engaged in [interstate] commerce against unfair competition").

Before enactment of the Lanham Act, the courts had divided into two categories the types of words and symbols that distinctly identify the source of goods – "technical trademarks" and "trade names." *Restatement (First) of Torts* § 715 cmt. c (1937); 1 McCarthy, *supra*, § 4:4. Inherently distinctive terms (what are now known as arbitrary, fanciful, and suggestive terms) were generally treated as

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[12] Petitioner was on actual notice of respondents' efforts to register its trademark due to respondents' use of the relevant symbols on its mark both while the application was pending (™) and after (®), J.A. 133, 232-236, as well as the PTO's public notice process, including through the Internet, *see* 37 C.F.R. § 2.27; 3 McCarthy, *supra*, § 19:7. In any event, the Act provides that registration of the mark constitutes constructive notice. *See* 15 U.S.C. § 1072.

"trademarks." *Id.* §§ 715 cmt. c, 721 cmt. a. Whereas words that were descriptive of a good, but had acquired a secondary meaning distinctively identifying a particular source of the goods, were generally treated as "trade names." *Id.* § 716. Similarly, a person's name or the geographical source of goods, was treated as a "trade name" if it had acquired such a distinctive meaning. *Ibid.* & cmt. a. Common law "trade names" were protected by the tort of unfair competition, rather than trademark infringement. *See Restatement*, *supra*, § 716 & cmt. a; 1 McCarthy, *supra*, §§ 4:2-4:5.[13]

b. The common law of unfair competition rejected claims that a competitor should be allowed to use trade names regardless of whether the use was likely to cause consumer confusion. For example, in *American Waltham Watch Co. v. United States Watch Co.*, 53 N.E. 141 (Mass. 1899), Justice Holmes, then sitting on the Massachusetts Supreme Judicial Court, addressed whether it was "unfair competition" for a manufacturer to state on its watches that they were manufactured in Waltham because, by that time, the term "Waltham Watches" had become distinctive of a competing manufacturer's watches. Justice Holmes explained that, "although the plaintiff has no copyright on the dictionary or any part of it, he can exclude a defendant from a part of the free field of the English language, even from the mere use of generic words unqualified and unexplained, when they would mislead the plaintiff's customers to another shop." *Id.* at 142. The court enjoined the defendant from using the name "Waltham," even on the inner plates of the watches, unless there was an accompanying statement clearly distinguishing its watches from those of the plaintiff. *Ibid.*; *see also Prestonettes, Inc. v. Coty*, 264 U.S. 359, 368 (1924) (Holmes, J.) ("When the mark is used in a way *that does not deceive the public* we see no such sanctity in the word as to prevent its being used to tell the truth.") (emphasis added).

This Court reached the same result in a number of unfair competition cases in the early Twentieth Century. In *Herring-Hall-Marvin Safe Co. v. Hall's Safe Co.*, 208 U.S. 554, 559 (1908), for example, this Court concluded that the unadorned commercial use of one's own name, although literally true, could be enjoined under unfair competition law. The Court explained that "some names and phrases, otherwise truthful and natural to use, would convey to the public the notion that [the users later in time] were continuing the business done by the [original] company, or that they were in some privity with the established manufacturer of [goods] which the public already knew and liked. To convey that notion would be a fraud, and would have to be stopped. Therefore such names and phrases could be used only if so explained that they would not deceive." *Id.*; *see also Baglin v. Cusenier Co.*, 221 U.S. 580, 592 (1911) (holding that use of geographic term with secondary meaning constituted unfair competition, notwithstanding that it was an accurate geographic description of the goods); *id.* at 601 (reforming injunction to bar competitor from using the word even in descriptive manner unless it was clearly distinguished from original).

Petitioner errs in relying (Pet. Br. 25-26) on *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526 (1924), for the proposition that a competitor's use of a mark that "truthfully describe[s]" its product was not a "legal or moral wrong," even if likely to confuse. The Court's holding in that case was not that the competitor's use was somehow exempted from a trademark infringement action because it was a fair use. Instead, relying on the then-distinction between "technical trademarks" and "trade names," the Court held that the first company held no valid "trademark" at all because the name of the product was "merely descriptive." *Id.* at 529. At the same time, as petitioner acknowledges (Pet. Br. 26 n.13), the Court entered a judgment in favor of the plaintiff on the "unfair competition" claim, explaining that "[t]he manufacturer or vendor is entitled to the reputation which his goods have acquired and the public to the means of distinguishing between them and other goods; and protection is accorded against unfair dealing whether there be a technical trademark or not." *Id.* at 531.[14]

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[13] The Lanham Act discarded the common law's distinction between technical trademarks and trade names by allowing registration of names, geographical terms, and "merely descriptive" terms if they had become "distinctive" of particular goods, *i.e.*, had gained a secondary meaning with regard to those goods. *See* 15 U.S.C. § 1052(f); *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 861 n.2 (1982) (White, J., concurring in result) ("the purpose of the Lanham Act was to codify and unify the common law of unfair competition and trademark protection").

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[14] The Court's holding in the other case relied upon by petitioner (Pet. Br. 24-25), *Delaware & Hudson Canal Co. v. Clark*, 80 U.S. 311 (1872), was that geographical and descriptive terms could not be marks. *Id.* at 324. It did not discuss the law of unfair competition and, in light of the subsequent development of the "secondary meaning" doctrine, the case has fallen into desuetude. Petitioner's extensive quotation from *Clark* is from the recitation of the arguments of counsel, not the opinion of the Court. Pet. Br. 24-25 (quoting 80 U.S. at 317).

The additional cases relied upon by the United States (U.S. Br. 27-28) to depict the common law as allowing confusing uses as "fair" do not support that argument. The Court in *Standard Paint Co. v. Trinidad Asphalt Mfg. Co.*, 220 U.S. 446 (1911), held that the term was merely descriptive and thus not entitled to any protection under the law of trademark infringement. *Id.* at 455. The Court addressed "unfair competition" separately and determined that there was no unfair competition because the products were not sufficiently similar "as to amount to a fraud on the public." *Id.* at 460-461. *Howe Scale Co. v. Wyckoff, Seamans & Benedict*, 198 U.S. 118 (1905), applied the then-existing rule that a plaintiff must prove "fraudulent intent" on the part of a competitor before a court would grant relief on an unfair competition claim and found that "defendant's name and trade-mark were not intended or likely to deceive." *Id.* at 140. By the time of the Lanham Act, however, fraud was presumed as a matter of law if the effect was to cause confusion. *See Strauss v. Notaseme Hosiery Co.*, 240 U.S. 179, 182 (1916) (defendant is "chargeable for what in contemplation of law was an intentional wrong, or a fraud, although the case is wholly devoid of any indication of an actual intent to deceive, or to steal the reputation of the plaintiff's goods").

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This Court's view was shared by the federal Court of Customs and Patent Appeals at the time Congress was considering various iterations of the Lanham Act. That court observed that it was "well established" "that, even where a secondary meaning of a word is established, others have the right to use such word in its primary sense, *provided it is so used as not to lead the public to believe that it is purchasing the goods of one who has established such secondary meaning.*" *Spicer v. W.H. Bull Medicine Co.*, 49 F.2d 980, 982 (C.C.P.A. 1931) (emphasis added); *see Hygrade Food Prods. Corp. v. H.D. Lee Mercantile Co.*, 46 F.2d 771, 772-773 (C.C.P.A. 1931).[15]

Finally, *Armstrong Paint & Varnish Works v. Nu-Enamel Corp.*, 305 U.S. 315, 335-336 (1938), interpreted the Trademark Act of 1920 to prohibit "unfair use [of a mark] as a trade-mark or trade name by a competitor seeking to palm off his products as those of the original user of the trade name." It did not discuss the scope of "unfair competition," except to say that "[t]he essence of the wrong from the violation of this right [to be free from unfair competition] is the sale of the goods of one manufacturer for those of another." *Id.* at 336.

[15] *See also Computing Scale Co. v. Standard Computing Scale Co.*, 118 F. 965, 967 (6th Cir. 1902) ("[W]hen the word is incapable of becoming a valid [technical] trade-mark, because descriptive or geographical, yet has by use come to stand for a particular maker or vendor, its use by another in this secondary sense will be restrained as unfair and fraudulent competition, and its use in its primary or common sense confined in such a way as will prevent a probable deceit by enabling one maker or vendor to sell his article as the product of another."); *G&C Merriam Co. v. Saalfield*, 198 F. 369, 373 (6th Cir. 1912) ("owing to the fact that the word has come to mean, to a part of the public, something else, it follows that when the defendant approaches the same part of the public with the bare [descriptive] word, and with nothing else, applied to his goods, he deceives that part of the public, and hence he is required to accompany his use of the bare word with sufficient distinguishing marks normally to prevent the otherwise normally resulting fraud."); *Trappey v. McIlhenny Co.*, 281 F. 23, 28 (5th Cir.) (enjoining competitor from using a geographic term as the name of its sauce "or in any manner to designate or describe said sauce," or from using the term "otherwise than to state that the sauce manufactured by appellants is made from" produce of the geographic region, "said statement to be made in such manner as clearly to distinguish the

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The First *Restatement of Torts* likewise stated in 1937 that the "privilege" of persons to "use in connection with their business * * * words descriptive of" their goods was "qualified to the extent necessary to prevent one from misleading prospective purchasers, by the use of such names or words, into the erroneous belief that the goods which he markets are the goods with which another's trade-mark or trade name is associated." *Restatement*, *supra*, § 740 cmt. a; *see also id.* § 744 cmt. d ("If the defendant uses a designation which is descriptive of his goods or of their qualities or ingredients, the appropriate form of injunction may be one which is qualified so as to enable him to state truly the facts described by the designation without deceiving prospective customers.").

c. Thus, petitioner (Pet. Br. 24-26) and the United States (U.S. Br. 26-28) err in claiming that the common law allowed confusing uses of words so long as they were used descriptively and not as a mark. By the time the Lanham Act was enacted, this Court and others routinely held that a competing merchant was required to take affirmative steps to avoid consumer confusion that would be caused by its use of a descriptive term with secondary meaning. "Where the name is one which has previously thereto come to indicate the source of manufacture of particular devices [*i.e.*, a secondary meaning], the use of such name by another, unaccompanied with any precaution or indication, in itself amounts to an artifice calculated to produce the deception alluded to."

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sauce made by appellants from that manufactured by appellee"), *cert. denied*, 260 U.S. 733 (1922); *Andrew Jergens Co. v. Bonded Prods. Corp.*, 21 F.2d 419, 424 (2d Cir. 1927) ("The individual, however, has the privilege of using his own name in a manner which is not unfair trading. Therefore, Wm. A. Woodbury may say that the soap he sells is manufactured by or for him, provided he does so in a way to avoid confusion, as, for example, by the phrase, 'Not connected with the makers of "Woodbury's Soap."'"), *cert. denied*, 275 U.S. 572 (1928).

Singer Mfg. Co. v. June Mfg. Co., 163 U.S. 169, 188 (1896); *see* note 15, *supra*.

This Court treated the use of a descriptive term with secondary meaning as not "unfair competition" only if it was being used "fairly" so that it was not likely to confuse. *See Baglin*, 221 U.S. at 600 ("In short, [the defendants] were not debarred from making a statement of the facts, * * * provided it was made fairly and was not couched in language, or arranged in a manner, which would be misleading and would show an endeavor to trade upon the repute of the [plaintiffs' product]."); *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 120-121 (1938) ("The question remains whether Kellogg Company in exercising its right to use the name 'Shredded Wheat' * * * is doing so fairly. Fairness requires that it be done in a manner which reasonably distinguishes its product from that of plaintiff. * * * The obligation resting upon Kellogg Company is not to insure that every purchaser will know it to be the maker but to use every reasonable means to prevent confusion.").

Certainly when, as here, a competitor uses the same mark on the same product and targets it at the same consumer market, no common law court would have determined that the mark was "used fairly" by the competitor without assessing the likelihood of confusion that was going to result. As one of the leading treatise writers explained the year before the enactment of the Lanham Act, "though the defendant may adopt the words of the plaintiff's mark in a nontrade-mark use, he may still be subject to injunction if his use is misleading and results in passing off." 2 Rudolf Callman, *The Law of Unfair Competition and Trade-Marks* § 85.1(b), at 1357 (1st ed. 1945).[16]

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[16] This Court interpreted a predecessor of the Lanham Act to likewise prohibit the use of even the "primary meaning" of a descriptive mark. In *Thaddeus Davids Co. v. Cortlandt I. Davids*, 233 U.S. 461 (1914), the Court held that under the Trademark Act of 1905, ch. 592, 33 Stat. 724, the defendants could *not* use their own name in its

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2. Congress enacted "used fairly" to incorporate the common law "unfair competition" prohibition against likelihood of confusion

No legislator in 1946 apparently felt a need to set forth a statutory definition of the term "used fairly" in Section 1115(b)(4) in light of the well settled and common sense understanding of "fairly" in the context of the common law of unfair competition. Although, as the United States notes (U.S. Br. 25-26), other legislative proposals used the phrase "not likely to deceive the public," that is not indicative of Congress's intent. *Cf. Two Pesos*, 505 U.S. at 769 (interpreting a different provision of the Lanham Act that did not, at that point in time, expressly require proof of a likelihood of confusion to nonetheless require such proof).

The legislative record confirms that the term "fairly" was understood to codify the common law understanding that only uses not likely to confuse are permissible. *See Hearings on H.R. 102, H.R. 5461, and S. 895 Before the Subcomm. on Trade-marks of the House Comm. on Patents*, 77th Cong., 1st Sess. 65-66 (1941) (testimony of Edward Rogers) (proposed language in earlier draft to the effect that "a fair use of a term commercially necessary truthfully to describe to users the goods or services of the defendant" is simply describing "the rule that courts now apply" that "a defendant has a right to use [a descriptive word], but he must use it in a way to clearly distinguish his goods from those of the other persons who had previously used it" and "in a way not calculated to deceive the public"); *Hearing on S. 895 Before a Subcomm. of the Senate Comm. on Patents*, 77th Cong., 2d Sess. 34 (1942) (testimony of Elliot Moyer, U.S. Dep't of Justice) (proposed language that term is "used fairly and in good faith only to describe to users the goods or services of the defendant," read in light of the "background in the law of unfair competition," requires subsequent user to "take affirmative action to prevent the public's being misled even with respect to a mark that is not an exclusive trade-mark").[17]

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secondary sense at all, and could legitimately use the word in its "primary sense," only "provided that the name was not used in a manner tending to mislead and it was clearly made to appear that the goods were [their] own, and not those of the registrant." *Id.* at 470-471. The United States errs (U.S. Br. 27) in describing *Thaddeus Davids* as prohibiting non-trademark use only if not undertaken in good faith. Rather, the Court held that "it could not be considered necessary that the complainant in order to establish infringement should show wrongful intent in fact on the part of the defendant, or facts justifying the inference of such an intent." *Id.* at 471. Indeed, leading treatise writers around the time of the Lanham Act's enactment described *Thaddeus Davids* as prohibiting use of a word even in its primary, descriptive sense if such a use was likely to confuse. *See* 2 Harry D. Nims, *The Law of Unfair Competition and Trade-Marks* § 229a, at 790 (4th ed. 1947) ("If an applicant obtains registration of such a mark, it is protected only in its trade or secondary sense. Anyone may still use it in its primary meaning, so long as he does not create confusion."); Walter J. Derenberg, *Trade-Mark Protection and Unfair Trading* 334 (1936) (same).

3. Interpreting "used fairly" to allow uses that are likely to confuse would be inconsistent with the international obligations of the United States at the time Section 1115(b)(4) was enacted

Recognizing that Section 1115(b)(4) incorporates the understanding of "used fairly" found in unfair competition law is consistent with the international treaties by which the United States was bound at the time Congress enacted Section 1115(b)(4) in 1946. Both the Paris Convention for the Protection of Industrial Property, 53 Stat. 1748 (ratified by the United States in 1935), and the General Inter-American Convention for Trade Mark and Commercial Protection, 46 Stat. 2907 (ratified by the United States in 1931), required signatory nations to prohibit and redress "unfair competition."

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[17] It is clear that Congress intended the term "fairly" in Section 1115(b)(4) to be distinct from the "good faith" requirement because it rejected earlier proposals that would have permitted a defendant to invoke the defense upon a showing of "good faith" alone. *See Hearings on H.R. 102*, *supra*, at 71, 73 (discussing proposals for defense that would have allowed "a term or device which is descriptive of and used in good faith only to describe to users the goods or services of the defendant"); *cf.* U.S. Br. 16 n.16 (Australian statute that requires a showing only that the person is using a term in good faith).

The Paris Convention defined "unfair competition" to include generally "any act of competition contrary to honest practice in industrial or commercial matters," and more specifically "[a]ll acts whatsoever of a nature to create confusion in any way whatsoever with the establishment, the goods, or the services of the competitor." Art. 10 *bis*, 53 Stat. at 1780. The Inter-American Convention did not provide a definition of unfair competition that was tied to confusion, but it did define the term to include not only acts "contrary to commercial good faith," but also acts contrary to "the normal and honorable development of industrial or business activities," Art. 20, 46 Stat. at 2930-2932, again showing that good faith alone was not sufficient to negate a charge of unfair competition. There appears to have been no exception in either Convention for the confusing but "fair" uses espoused by petitioner.

These treaties are significant in interpreting the Lanham Act because the Act was enacted, in part, "to provide rights and remedies stipulated by treaties and conventions respecting trademarks, trade names, and unfair competition entered into between the United States and foreign nations." 15 U.S.C. § 1127; *see also id.* § 1126(b), (h). Congress would not have sanctioned competitors' confusing uses of registered trademarks in an Act intended to meet international obligations to eliminate and remedy unfair competition.[18]

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[18] The United States' suggestion (U.S. Br. 16 n.16) that the European Community's current law governing trademarks does not consider likelihood of confusion in its "fair use" defense is flawed because the government fails to include the proviso at the end of the relevant regulation. The regulation provides that a "trade mark shall not entitle the proprietor to prohibit a third party from using in the

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D. Subsequent Amendment Of Other Statutory Provisions Did Not Change The Meaning Of "Used Fairly," Notwithstanding Purported Statutory Overlap

Petitioner relies heavily on a 1988 amendment to other provisions of Section 1115 to argue that an interpretation of Section 1115(b)(4) that considers likelihood of confusion cannot stand because it would create an overlap with the elements that a trademark owner must show to prove infringement under Section 1114, which include a showing of likelihood of confusion. *See* Pet. Br. 8-9, 18-19; *see also* U.S. Br. 7 n.8, 16-17.

As originally enacted in 1946, however, Section 1115(b)(4) did not apply to Section 1114 infringement actions. *See Park 'n Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 199 n.6 (1985). And the fact that a subsequent amendment may have created some overlap does not alter the plain meaning of a statutory provision absent congressional intent to do so. Petitioner has not pointed to any evidence of congressional intent to expand Section 1115(b)(4) to allow unlimited confusing use. Finally, even taken at their best, the arguments of petitioner and the United States could justify at most a rejection by the Court of the rule that likelihood of confusion always must trump a defense under Section 1115(b)(4). Their arguments would not pose an obstacle to this Court affirming

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course of trade * * * indications concerning * * * characteristics of the goods or service * * * *provided he uses them in accordance with honest practices in industrial or commercial matters*." European Council Regulation No. 40/94 on the Community Trade Mark, Dec. 20, 1993, Art. 12 (emphasis added). The European Court of Justice interprets that italicized phrase, drawn from the Paris Convention's definition of "unfair competition," as "constituting in substance the expression of a duty to act fairly in relation to the legitimate interests of the trade mark owner." Case C-63/97 *BMW v. Deenik*, 1999 E.C.R. I-905 ¶ 61. Thus, even when the use otherwise falls within the exception, the alleged infringer cannot use a mark "in a way that may create the impression that there is a commercial connection between [its] undertaking and the trade mark [owner]." *Id.* ¶ 64.

the judgment below and holding that likelihood of confusion is relevant to a "used fairly" determination and could render a use unfair in various instances, even if not in all.

1. As enacted, Section 1115(b)(4) did not overlap with proof of infringement because it was then a defense only to an infringement suit on an incontestable mark, where proof of likelihood of confusion was not required

Incontestability was an innovation of the Lanham Act. An incontestable mark gains such status based on an affidavit submitted by the owner attesting to the fact that the mark has been in continuous use for the five years since registration and is not then subject to any pending challenge. 15 U.S.C. § 1065(1)-(3). Incontestability was enacted to give some degree of dependability and reliability to mature trademark registrations by prohibiting certain challenges to the mark's validity being raised after a certain time. *See Park 'n Fly*, 469 U.S. at 198. It thus served to "quiet title in the ownership of [the] mark." *Ibid.*

An owner of an incontestable mark could establish liability for infringement under the Lanham Act, as originally enacted, without having to marshal evidence to show a likelihood of confusion. *See Hearings on H.R. 102, H.R. 5461, and S. 895 Before the Subcomm. on Trademarks of the House Comm. on Patents*, 77th Cong., 1st Sess. 224 (1941) (statement of Milton Handler) (incontestability "would prevent the use [of a descriptive term] in another mark no matter how distinguishable and despite the fact that such use would not be likely to result in confusion"); *Weil Ceramics & Glass, Inc. v. Dash*, 878 F.2d 659, 675 (3d Cir.) (relying on *Park 'n Fly* to hold that when the defendant claims that "the registrant should not have exclusive use of the trademarked item," an owner of an incontestable trademark was entitled under the original version of Section 1115 to bring an action without the need to show a likelihood of confusion), *cert. denied*, 493 U.S. 853 (1989).[19]

That was because the certificate of registration of an incontestable mark served as "conclusive evidence of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified" and there was no requirement to show infringement. 15 U.S.C. § 1115(b) (1982). Congress limited the conclusive presumption to the goods specified in the affidavit filed to establish incontestability. *See* 15 U.S.C. § 1115(b) (1982); *Avon Shoe Co. v. David Crystäl, Inc.*, 279 F.2d 607, 613 n.7 (2d Cir.), *cert. denied*, 364 U.S. 909 (1960).[20]

One of petitioner's *amici* elsewhere acknowledged this important relationship between the conclusive presumption of incontestability and the Section 1115(b)(4) defense, as originally enacted. *Amicus* INTA (formerly known as the United States Trademark Association), explained to Congress in 1987 that "[r]ead literally," Section 1115(b)'s "conclusive evidence of the registrant's exclusive right to use the registered mark" language as originally enacted "would mean that if a defendant's mark is very similar and is used on the same goods as those in the registration, infringement would be automatic and the registrant would be relieved of his burden of proving likely confusion." U.S. Trademark Ass'n, *Trademark Review Commission Report and Recommendations*, 77 Trademark Rep. 375, 415 (1987).

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[19] Courts of appeals prior to *Park 'n Fly* had rejected the argument that the owner of an incontestable mark need not prove likelihood of confusion, *see, e.g.*, *Lindy Pen Co., Inc. v. Bic Pen Corp.*, 725 F.2d 1240, 1247 (9th Cir. 1984), *cert. denied*, 469 U.S. 1188 (1984), but they did so primarily because they held that incontestability could be used only "defensively." This Court rejected that position in *Park 'n Fly* as contrary to the text, structure and history of the statute. *See* 469 U.S. at 196-199. Although the United States' brief in this case suggests (U.S. Br. 6, 16) that incontestability is "distinct" from infringement, it has previously urged that the incontestable status of a mark is relevant to likelihood of confusion. *See* Brief for the United States as *Amicus Curiae, B&H Indus. v. Dieter*, No. 89-1193 at 17 (1990) ("[F]or purposes of determining likelihood of confusion, an incontestable trademark is presumed to have a certain minimum strength. That presumption is consistent with the Lanham Act and the rationale of this Court's decision in *Park 'N Fly*.").

[20] That conclusive presumption was drawn from the common law rule that "[c]ommercial usage of the identical trademark in the same business field is taboo, regardless of the element of confusion." Milton Handler, *Unfair Competition*, 21 Iowa L. Rev. 175, 183-184 (1936); *see* 2 Harry D. Nims, *The Law of Unfair Competition and Trade-Marks* § 346 (4th ed. 1947) (describing common law presumption that a competitor's use of an identical trademark on similar goods "causes deception and confusion of the public"); 2 Rudolf Callman, *The Law of Unfair Competition and Trade-Marks* § 82.3(e) (1st ed. 1945) (same).

A defendant could overcome that conclusive evidence of exclusive right to use the incontestable mark only by establishing one of the then-seven defenses or defects listed in Section 1115(b) (including the "used fairly" defense at issue here), or by showing that the mark had not properly been granted incontestable status on one of several specified grounds stated in 15 U.S.C. § 1065. *See* 15 U.S.C. § 1115(b) (1982). The conclusive presumption then would fall aside and the plaintiff would be forced to prove a likelihood of confusion. In such circumstances, the defendant would also be able to rely on the common law defenses or defects it was permitted to raise against an owner of any registered mark pursuant to Section 1115(a). *See GTE Corp. v. Williams*, 904 F.2d 536, 540-541 (10th Cir.), *cert. denied*, 498 U.S. 998 (1990); *Opticians Ass'n of Am. v. Independent Opticians of Am.*, 920 F.2d 187, 192-193 (3d Cir. 1990). If the defendant did not meet such proof, it was bound by the statute's "conclusive evidence" of the mark owner's "exclusive" right to use the mark.

Congress recognized that defenses to such conclusive liability could be allowed in some circumstances without thwarting the goal of preventing consumer confusion because the use of the incontestable mark did not always, in fact, create the consumer confusion that was conclusively presumed. To avoid making the statute substantially overprotective, Congress allowed defendants to prove that their use of the mark was, *inter alia*, not likely to confuse, *i.e.*, was being used fairly, as one element of a defense to rebut incontestability and thus avoid liability.

2. Congress's 1988 amendment of other provisions of Section 1115 did not change the meaning of "used fairly" in Section 1115(b)(4)

In 1988, Congress amended Section 1115 in the manner that gives rise to the overlap argument of petitioner and its *amici*.

First, Congress amended Section 1115(b) regarding incontestable marks to state that "[s]uch conclusive evidence of the right to use the registered mark shall be subject to proof of infringement as defined in section [1114]." Trademark Law Revision Act of 1988, Pub. L. No. 100-667, § 128(b), 102 Stat. 3935, 3945. Section 1114 is what governs proof of infringement of non-incontestable marks and it requires a showing of a likelihood of confusion. *See* 15 U.S.C. § 1114(1)(a). Second, Congress amended Section 1115(a), regarding non-incontestable marks, to provide that the defenses in Section 1115(b) for incontestable marks can be used as defenses to infringement of non-incontestable marks. *See* Trademark Law Revision Act, § 128(a), 102 Stat. at 3945. Congress amended Section 1115(b)(4) only to make a technical change, consistent throughout the statute, that removed an unnecessary reference to "trade or service" when describing marks. Congress otherwise left intact the text of the "used fairly" defense as originally enacted. Petitioner and its *amici* rely on an unintended consequence of those amendments that occurs when a mark owner must show, *inter alia*, a likelihood of confusion to prevail and the alleged infringer must show, *inter alia*, the absence of a likelihood of confusion to establish the affirmative defense in Section 1115(b)(4).[21]

But likelihood of confusion is not a dichotomous variable that yields the rigid overlap that they suggest. There are varying degrees of likelihood of confusion, and a defendant's efforts to mitigate or reduce such confusion may tip the scales against an ultimate finding of likelihood of confusion. *See* 3 McCarthy, *supra*, §§ 23:19, 23:79 (describing multi-factor balancing test for likelihood of confusion). This, again, would be akin to the common law rule that looked to disclaimers and other efforts by defendants to minimize likelihood of confusion. *See* pages 33, 35-36 & n.15, *supra*. Petitioner cites no evidence that Congress intended to alter this longstanding view of the common law, which was available in defense against non-incontestable marks prior to 1988, and to instead create something that was not previously available and runs contrary to the words of the Act – a "used fairly" defense that allows unlimited confusing uses.

Moreover, defenses that mirror substantially a plaintiff's burden to establish liability are not uncommon. For example, in the Age Discrimination in Employment Act, Congress prohibited an employer from "discharg[ing] any individual * * * because of such individual's age," while providing an affirmative defense for the employer to show that the discharge was "for good cause." 29 U.S.C. § 623(a)(1), (f)(3). The latter defense simply defeats the plaintiff's original complaint, for if an employee was fired for a good cause, then he was not fired because of his age.

The same is true of the "used fairly" defense in Section 1115(b)(4), which currently serves to emphasize that a court must not allow uses that unfairly confuse consumers. It does not convey, as petitioner contends, a means to

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[21] For the Court's convenience, Sections 1114 and 1115 as currently codified are reproduced at App., *infra*, 1a-4a. Section 1115 as in effect immediately prior to the 1988 amendment is reproduced at App., *infra*, 5a-7a.

obtain summary judgment before a court can assess the question whether, and how much, the defendant's use of the term is likely to confuse the public. Section 1115(b)(4) may now best be understood as a "statutory 'exclamation point,'" reminding courts of their obligations to allow commercial use of a trademark by a competitor only so long as there is no likelihood of confusion. *See Pennsylvania v. Union Gas Co.*, 491 U.S. 1, 54 n.6 (1989) (White, J., concurring in judgment in part, joined by Rehnquist, C.J., and O'Connor and Kennedy, J.J.); *cf. Saltonstall v. Birtwell*, 164 U.S. 54, 70 (1896) ("[I]t is not unusual, in a succession of statutes on the same subject-matter, amending or modifying previous provisions, that a word or phrase may remain, although rendered useless or meaningless by the amendments. Such words are merely vestigial, and should not be permitted to impair or defeat the fair meaning of the enactment.").

3. Petitioner's absolute defense would not expedite cases and would not avoid overlap, as petitioner's own *amici* demonstrate

a. Although petitioner complains (Pet. Br. 36) that the likelihood of confusion under Section 1115(b)(4) poses a barrier to summary judgment, it has not identified any evidence of such a problem. The Ninth Circuit's application of its interpretation of Section 1115(b)(4) over the past 20 years shows that considering likelihood of confusion as part of the defense does not impose a significant burden on defendants. Invocations of Section 1115(b)(4) are rarely successful because defendants fail to meet one of the other statutory requirements. *See Lindy Pen Co., Inc. v. Bic Pen Corp.*, 725 F.2d 1240, 1248 (9th Cir. 1984) (did not meet defense because term used as a mark), *cert. denied*, 469 U.S. 1188 (1984); *Brookfield Communications, Inc. v. West Coast Entm't Corp.*, 174 F.3d 1036, 1066 (9th Cir. 1999) (same); *Brother Records, Inc. v. Jardine*, 318 F.3d 900, 907 (9th Cir.) (same), *cert. denied*, 124 S. Ct. 155 (2003); *Playboy Enters., Inc. v. Welles*, 279 F.3d 796, 801-802 (9th

Cir. 2002) (did not meet defense because not descriptive of defendant's goods).

In addition, the court has affirmed summary judgment for defendants on their Section 1115(b)(4) defenses when the evidence regarding likelihood of confusion was found to be capable of resolution without trial. *See Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1155 n.14 (9th Cir. 2002); *In re Dual-Deck Video Cassette Recorder Antitrust Litig.*, 11 F.3d 1460, 1466 (9th Cir. 1993); *see also* Pet. C.A. Br. 60-61 (citing cases in which Ninth Circuit has entered summary judgment for defendants on likelihood of confusion). Thus, contrary to the argument of the United States (U.S. Br. 29), proving the absence of a likelihood of confusion is not onerous. Nor is it foreign to the statutory scheme. The PTO places that very burden on the mark owner at the registration stage if the examiner identifies a previously registered mark that raises a likelihood of confusion question. *See TMEP*, *supra*, § 1207.01(d)(i), (iv).

In what appears to be the only other Ninth Circuit case in which the defense was denied because of factual disputes regarding likelihood of confusion, it is in circumstances, like this case, where the use as described seems objectively unfair. *See Playboy Enters., Inc. v. Netscape Communications Corp.*, 354 F.3d 1020 (9th Cir. 2004) (defendant relied on secondary meaning of plaintiff's descriptive mark to divert consumers from plaintiff's product to defendant's and created actual confusion).

Even under petitioner's interpretation, Section 1115(b)(4) is, by definition, a matter that is not readily susceptible to summary judgment. That is because a necessary component of the Section 1115(b)(4) defense is that the defendant be acting in "good faith," a subjective state of mind rarely appropriate for summary judgment. *See Harlow v. Fitzgerald*, 457 U.S. 800, 815-816 (1984).[22]

---

[22] Regardless of how the Court resolves the question presented, significant disputes of material fact bar entry of summary judgment for petitioner on the Section 1115(b)(4) defense. Because the court of appeals remanded on the "used fairly" requirement of Section 1115(b)(4), it did not address the disputed facts regarding the good faith requirement or the requirements that the use be "otherwise than as a mark" and "only to describe" petitioner's goods. The parties dispute the facts regarding whether petitioner used the term "Micro Colors" on its bottles prior to respondents, on which the district court apparently relied for its fairness determination. *See* page 5, *supra*. In addition, as one *amicus* acknowledges (AIPLA Br. 17 & n.11), the district court never made a determination whether petitioner's stylized use of the term on its marketing brochure in 1999 was used "otherwise than as a mark" and "only to describe" petitioner's goods. The Court therefore should reject petitioner's suggestion that it review the facts and determine whether each of its uses meets each of Section 1115(b)(4)'s requirements. Pet. Br. 19-22. These issues are more appropriately left to the lower courts in the first instance on remand. Moreover, respondents' state law claims of unfair competition must be addressed by the lower courts even if petitioner prevails on its Lanham Act defense.

(Continued on following page)

b. Finally, petitioner's absolute defense runs contrary to the views of its own *amici* that likelihood of confusion is relevant to determining whether a mark is being "used fairly" for purposes of Section 1115(b)(4). *See* pages 15-16, *supra*. Even if the Court were to reject the view that a finding of likelihood of confusion should always preclude a defense that the mark is being "used fairly," the Court should recognize that "used fairly" must be given some meaning. That meaning necessarily includes consideration of likelihood of confusion. That would eliminate petitioner's overlap concern because there would be instances in which the Section 1115(b)(4) defense would not wholly overlap with the mark owner's likelihood of confusion proof. And, as pointed out above, *see* pages 17-19, *supra*, the "used fairly" determination certainly must take into account the degree of unfairness to the consuming public that could result in a particular case where confusion exists that could affect health or safety.

Thus, the court of appeals' judgment reversing the district court's entry of summary judgment for petitioner on the Section 1115(b)(4) defense and remanding for further proceedings should be affirmed. *See, e.g., County of Yakima v. Confederated Tribe & Bands of the Yakima Indian Nation*, 502 U.S. 251, 266-267, 270 (1992) (affirming court of appeals judgment to remand case to district court even while rejecting legal rule that court of appeals had directed district court to employ); *Meritor Sav. Bank v. Vinson*, 477 U.S. 57, 69, 73 (1986) (same).

CONCLUSION

For the reasons set forth above, the judgment of the court of appeals should be affirmed.

Respectfully submitted,

CHARLES C.H. WU
Counsel of Record
MARK H. CHEUNG
WU & CHEUNG, LLP
7700 Irvine Center Drive
Suite 710
Irvine, CA 92618-3043
(949) 251-0111

PROF. J. THOMAS MCCARTHY
MORRISON & FOERSTER LLP
425 Market Street
San Francisco, CA 94105-2482

DREW S. DAYS, III
BETH S. BRINKMANN
EDWARD W. GRAY, JR.
SETH M. GALANTER
MORRISON & FOERSTER LLP
2000 Pennsylvania Ave., N.W.
Washington, DC 20006-1888
(202) 887-1500

Attorneys for Respondents

JULY 19, 2004

APPENDIX A

The Trademark Act of 1946, ch. 540, 60 Stat. 427, as amended, currently provides in relevant part, as codified in Title 15, United States Code (2000 ed.):

§ 1114. Remedies; infringement; innocent infringement by printers and publishers

(1) Any person who shall, without the consent of the registrant –

> (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or
>
> (b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering of sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive,

shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) hereof, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

* * * * *

§ 1115. Registration on principal register as evidence of exclusive right to use mark; defenses

(a) Evidentiary value; defenses

Any registration issued under the Act of March 3, 1881, or the Act of February 20, 1905, or of a mark registered on the principal register provided by this chapter and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude another person from proving any legal or equitable defense or defect, including those set forth in subsection (b) of this section, which might have been asserted if such mark had not been registered.

(b) Incontestability; defenses

To the extent that the right to use the registered mark has become incontestable under section 1065 of this title, the registration shall be conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce. Such conclusive evidence shall relate to the exclusive right to use the mark on or in connection with the goods or services specified in the affidavit filed under the provisions of section 1065 of this title, or in the renewal application filed under the provisions of section 1059 of this title if the goods or services specified in the renewal are fewer in number, subject to any conditions or limitations in

the registration or in such affidavit or renewal application. Such conclusive evidence of the right to use the registered mark shall be subject to proof of infringement as defined in section 1114 of this title, and shall be subject to the following defenses or defects:

(1) That the registration or the incontestable right to use the mark was obtained fraudulently; or

(2) That the mark has been abandoned by the registrant; or

(3) That the registered mark is being used by or with the permission of the registrant or a person in privity with the registrant, so as to misrepresent the source of the goods or services on or in connection with which the mark is used; or

(4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin; or

(5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to (A) the date of constructive use of the mark established pursuant to section 1057(c) of this title, (B) the registration of the mark under this chapter if the application for registration is filed before the effective date of the Trademark Law Revision Act

of 1988, or (C) publication of the registered mark under subsection (c) of section 1062 of this title: *Provided, however,* That this defense or defect shall apply only for the area in which such continuous prior use is proved; or

(6) That the mark whose use is charged as an infringement was registered and used prior to the registration under this chapter or publication under subsection (c) of section 1062 of this title of the registered mark of the registrant, and not abandoned: *Provided, however,* That this defense or defect shall apply only for the area in which the mark was used prior to such registration or such publication of the registrant's mark; or

(7) That the mark has been or is being used to violate the antitrust laws of the United States; or

(8) That the mark is functional; or

(9) That equitable principles, including laches, estoppel, and acquiescence, are applicable.

APPENDIX B

The Trademark Act of 1946, ch. 540, 60 Stat. 427, as it existed prior to its 1988 amendments, provided in relevant part, as codified in Title 15, United States Code (1982 ed.):

§ 1115. Registration on principal register as evidence of exclusive right to use mark; defenses

(a) Evidentiary value; defenses

Any registration issued under the Act of March 3, 1881, or the Act of February 20, 1905, or of a mark registered on the principal register provided by this chapter and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of registrant's exclusive right to use the registered mark in commerce on the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude an opposing party from proving any legal or equitable defense or defect which might have been asserted if such mark had not been registered.

(b) Incontestability; defenses

If the right to use the registered mark has become incontestable under section 1065 of this title, the registration shall be conclusive evidence of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the affidavit filed under the provisions of said section 1065 subject to any conditions or limitations stated therein except when one of the following defenses or defects is established:

(1) That the registration or the incontestable right to use the mark was obtained fraudulently; or

(2) That the mark has been abandoned by the registrant; or

(3) That the registered mark is being used by or with the permission of the registrant or a person in privity with the registrant, so as to misrepresent the source of the goods or services in connection with which the mark is used; or

(4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a trade or service mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe to users the goods or services of such party, or their geographic origin; or

(5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to registration of the mark under this chapter or publication of the registered mark under subsection (c) of section 1062 of this title: *Provided, however,* That this defense or defect shall apply only for the area in which such continuous prior use is proved; or

(6) That the mark whose use is charged as an infringement was registered and used prior to the registration under this chapter or publication under subsection (c) of section 1062 of this title of the registered mark of the registrant, and not abandoned: *Provided, however,* That this defense or defect shall apply only for the area in which the mark was used prior to such registration or such publication of the registrant's mark; or

(7) That the mark has been or is being used to violate the antitrust laws of the United States.

(13)

Supreme Court, U.S.
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No. 03-409

IN THE

Supreme Court of the United States

KP PERMANENT MAKE-UP, INC, PETITIONER

v.

LASTING IMPRESSION I, INC;
MCN INTERNATIONAL, INC.

ON WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

REPLY BRIEF FOR PETITIONER

MICHAEL MACHAT
LAW OFFICES OF
MICHAEL MACHAT, P.C.
9107 Wilshire Blvd.
Suite 425
Beverly Hills, CA 90210
(310) 860-1833

Counsel of Record
for the Petitioner

CURRY & TAYLOR ◆ WASH D.C. ◆ (202) 223-3160 ◆ USSCINFO.COM

PETITION FOR WRIT FILED AUGUST 18, 2003
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A.
INTRODUCTION

Respondents' framing (or mis-framing) of the Question Presented offers an opportunity to refute Respondents' main contention that the words "used fairly," as they appear in Section 33b(4) of the Lanham Act, prohibits uses that are likely to confuse consumers. Respondents frame the issue as, "Whether an *incontestable trademark* can be "used fairly" within the meaning of 15 USC §1115(b)(4), ... " (Resp. Br. i.) The facts presented in this case however, do not involve Petitioner KP's use of Respondent's *incontestable mark*; rather KP is accused of using the most "*salient feature*" of Respondent's incontestable mark. Pet. App. 15a. The incontestable mark in question is a logo mark. J.A. 211. It is undisputed that KP is not and has not used the actual logo. Instead KP has used the descriptive, if not generic words contained within the logo, ie., namely, micro colors. KP makes this distinction, because as will be seen herein, (Section E, infra), there are many instances where it would be incredibly unfair to disallow the fair use defense with respect to descriptive and/or generic words contained within a logo mark, even though there may be a resulting likelihood of confusion if the defense is allowed.

It is especially interesting to note that out of all the amici briefs filed in this case, no one-- not even respondents' own amici -- defends the Ninth Circuit's view that proof of non- confusion is an element of the fair use defense. Everyone, from the United States government to the International Trademark Association to expert law professors to the American Intellectual Property Law Association agrees that the

Ninth Circuit's holding is wrong. So do respondents' amici: "contrary to the decision of the court of appeals, the fair use defense does not require that there be no likelihood of confusion." Amicus Br. for the Society of Permanent Cosmetic Professionals, *et al*., at 5; see also *id*. at 7, 10-11.

Indeed, toward the end of their brief, respondents seem to concede that perhaps, in at least some cases, there can be fair use and a likelihood of confusion, when they write, "Even if the Court were to reject the view that a finding of likelihood of confusion should always preclude a defense that the mark is being "used fairly", the Court should recognize that "used fairly" must be given some meaning." (Resp. Br. 49) It should not come as a surprise that Respondents write in the subjunctive tense because there is no answer to the riddle posed by many: "If the fair use defense cannot be considered when there is a likelihood of confusion, then what is its purpose?" The affirmative defense comes into play only when infringement, including a likelihood of confusion, has been established. A defense which can be considered only when the prima facie case has failed is of course, of no use.

B.

TRADEMARK PROTECTION IS NOT ABSOLUTE

The fact that Freedom of Speech is embedded in the very first amendment to the U.S. Constitution and that trademark law is only obliquely referred to[1] in the Constitution indicates that the founders of this country placed far more priority on freedom of speech than on giving limited monopolies in the choice of words to business owners. In most circumstances involving the use of trademarks, there does not appear to be any real conflict of values between preserving the rights of free speech, protecting consumers from confusion, and allowing businesses to build up good will in a name, and in encouraging them to do so. The Lanham Act, and in particular the affirmative defenses to trademark infringement, embody a careful congressional balance of competing legislative purposes -- a carefully calibrated desire to enhance competition and the flow of information to consumers, as well as to prevent consumer confusion.

By reworking the fair use defense in a manner that would permit plaintiffs to proscribe even the reasonable and good faith uses of a term solely to describe a product would fundamentally skew the balance that Congress struck. The limited judicial task of construing the plain terms of the fair use defense should not serve as a vehicle for respondents to obtain from the courts degrees of protection that they could not obtain from Congress. The trademark holder should not be able to circumvent that inherent and essential limitations placed by Congress on the scope of its mark merely by showing that some consumers might be confused. Indeed, allowing the mark holder to establish infringement based on the purely descriptive use of a word would **expand**, rather than enforce, the holder's existing rights in the trademark.

---

[1] In fact the Constitution makes no direct reference to trademarks. In *the Trade-Mark Cases*, 100 U.S. 82, 25 L. Ed. 550 (1879) the Supreme Court rejected the argument that Congress has the power under the patent and copyright clause of the Constitution (art. 1 § 8 cl. 8) to regulate trademarks. That clause grants to Congress the power "to promote the progress of science and the useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries." The Supreme Court said that trademarks have no relation to invention and discovery or to original "writings," as a trademark is "simply founded on priority of appropriation." *McCarthy on Trademarks*, §5.3. The power of the federal government to provide for trademark registration comes only under its "Commerce Power."

Trademark protection has its limits; it is not absolute. When the application of trademark laws begin to infringe upon or conflict with our principals of free speech, our values collide, and we must make a choice. In these circumstances, the courts must decide, which of our values takes precedence? What is the fair thing to do? This is an example of the meaning of "used fairly" that is embedded in the fair use defense. "Used Fairly", as used in the statute, does not mean an absence of likelihood of confusion. Otherwise the statute would say "an absence of likelihood of confusion" rather than used fairly.[2]

---

[2] When Congress wishes to make proof of consumer confusion relevant to trademark claims, it says so explicitly. See 15 U.S.C. 1051(a)(3)(D) (application to register trademark requires averment that no one else has the right to use the mark in a manner "as to be likely * * * to cause confusion, or to cause mistake, or to deceive"), and (b)(3)(D) (same for application to register based on bona fide intention to use trademark); 15 U.S.C. 1052(d) (prohibiting registration of trademarks that "so resembles" existing trademarks as "to cause confusion, or to cause mistake, or to deceive"); 15 U.S.C. 1066 (same for declaration of interference with a registered trademark by the Director of the United States Patent and Trademark Office); 15 U.S.C. 1114(1) (proof of use in a manner "to cause confusion, or to cause mistake, or to deceive" is an element of trademark infringement); 15 U.S.C. 1125(a)(1)(A) (same for proof of unfair competition claim); 15 U.S.C. 1127 (same for definition of "colorable imitation").

C.

THE WORDS "USED FAIRLY" IMPLY A CONSIDERATION OF NUMEROUS FACTORS, INCLUDING CONSIDERING FREE SPEECH

Fair is one of those words, like reasonable, that is hard to define, but we trust a fact finder to make the determination of whether or not it exists. In the case at hand, used fairly refers to whether or not it is fair to allow the alleged infringer to use another's mark within the given circumstances of a case, even if likelihood of confusion may result. So, in other words, the focus is not on likelihood of confusion, but rather on fairness. It is certainly true that many of the factors involved in determining what constitutes fair use are the same as those involved in the determination of likelihood of confusion. But to go from there and say there cannot be a fair use if there is a likelihood of confusion is logically untenable.

Fair in this context is used to refer to the equitable powers of the court to do equity; not to strike down the use of a descriptive mark by another simply because there is also a likelihood of confusion. And in this context, a fairness inquiry most often relates to the good faith and intent of the advocate of the fair use defense, taking into account the advocate's right to free speech. In addition, a fairness inquiry permits, but not demands, the court to consider other factors that perhaps coincide with some of the same factors that make up part of the likelihood of confusion analysis. However, fairness, like the word, reasonable, is hard to define, and as such, it would make little sense to require an objective standard test with a court required to undergo a rigid analysis under rigid guidelines. Fairness is something that courts decide from the gut.

Just like the term reasonable. Neither term can be defined adequately.

D.
THE STATUTE ENABLES COURTS TO UNDERTAKE A "USED FAIRLY AND IN GOOD FAITH" ANALYSIS INDEPENDENTLY OF APPLYING A LIKELIHOOD OF CONFUSION ANAYLSIS

A natural reading of the Fair Use Statute invites a Court to examine a particular fact situation and decide whether or not the use in question is fair, independent of applying a likelihood of confusion analysis. Fairness is a fact specific inquiry. One archetype example where it generally would be fair to permit uses that are likely to confuse consumers is the logo mark that contains a descriptive term that is also the most salient feature of the mark. Sometimes the USPTO requires the trademark applicant to disclaim the exclusive right to the obviously descriptive term contained within the mark, as in LITE owned by Miller (US Trademark Reg. No. 1385379), SWEATS (Now Expired US Trademark Reg. No. 1235727), BEST BUY (US Trademark Reg. No's 1657622, 2196852) and MICRO NEEDLES, J.A.215-216. Sometimes descriptive terms within a logo mark escape the attention of the examining attorney and the logo mark with the descriptive term is registered without a disclaimer. Examples of this include BEST BUY (US Trademark Reg. No. 2539223), BEST FOODS (US Trademark Reg. No. 0565259), and MICRO COLORS. J.A. 211. As we see in the case of Best Buy, the same mark was accorded different status by different examiners. The newest registration does not require a disclaimer as to the words best buy, but the older ones do. The following examples help illustrate this point.

The word BEST is obviously a descriptive word and is probably one of the most sought after words that businesses desire to use in their marketing. Best Foods and Best Buy come to mind. The consumer electronics store BEST BUY probably wants to convey to consumers that they offer the best buy in consumer electronics, hence they adopted the name BEST BUY and naturally obtained a trademark registration of a logo featuring the words BEST BUY inside what appears to be a price tag. The company was at first required to disclaim the use of the words best buy apart from the logo. (Trademark Reg. No's: 1657622, 2196852) Some years later, the Best Buy company registered a different but similar logo mark. This mark also contained the words BEST BUY, but the price tag had legs and arms. For this later registration, the USPTO did not require the Best Buy company to disclaim the words best buy. (Trademark Registration No. 2539223 and Serial Number 75936029).

Suppose a competitor, such as Mark's Electronics wants to convey to consumers that Mark's Electronics is the place to go for the best buy in consumer electronics, and it starts advertising via radio, "Go to Mark's Electronics for the best buy in stereo or computer equipment", or "For the Best Buy in computer or stereo equipment, go to Mark's Electronics at 123 Main Street." Naturally the Best Buy company might get agitated and sue claiming a likelihood of confusion. Assuming there is a likelihood of confusion and Mark's uses the words "best buy" to truthfully describe his own goods and services and not as a mark, and in good faith (because Mark's actually has the best buys, not Best Buy), then the question remains, is it fair to prevent Mark from telling the world that he has the best buys in consumer electronics?

Let's go a step further and suppose that the Best Buy chain decided to raise its prices so much so that Best Buy actually offered shoppers the worst buy in consumer electronics. Under this scenario, if respondents prevail and the Ninth Circuit decision is not reversed, then words such as best buy will lose their ordinary meaning, and someone with a trademark like Best Buy can actually have the worst buy and prevent competitors from advertising that the competitors actually have the best buy, as opposed to the chain BEST BUY, which in this scenario, has a terrible buy.

These two scenarios illustrate the purpose of the words "used fairly" as contained within the text of 15 U.S.C. §1115(b)(4). Applying the statute to the scenarios, one would imagine that a court would consider the free speech issue, in conjunction with "used fairly and in good faith", and rule that: (1) It is fair to allow Mark to use the words "best buy"; (2) Best buy are common descriptive words; and (3) The retail chain BEST BUY should have thought that confusion would eventually result from using such common descriptive words when they selected their mark, and any confusion that results is their own fault for attempting to monopolize the English language.

Returning now to the Best Buy example, suppose Mark's Electronic's actually offered consumers one of the worst buys as opposed to "the best buy" or "one of the best buys", and Mark's advertised it was the place to go for the best buy purely to play off the likely confusion with the chain Best Buy. In this scenario, Mark's use of the words, best buy would not be in good faith and one might argue it would be unfair to allow Mark to avail himself of the fair use defense.

So, as we see, with the obviously descriptive words best buy, we have different results based on the intent of the user. In the first two instances, there was good faith, so it was fair to let Mark use the words best buy, despite the likelihood of confusion. In the last example, there was no good faith by Mark, and it would be unfair to allow Mark to likely confuse the public. The word fair is tied up with the word good faith. It is difficult to think of a scenario where a descriptive term is used in good faith, but arguably, not fairly. Here, however, is one potential scenario: Suppose now that Mark's Electronics advertised its store as the place to go for the Best Buy, thinking in good faith that its ad was true, but as it turns out, Best Buy actually has the best buy. Here, good faith is met, but is it fair to allow Mark to advertise in this way? Perhaps yes. Perhaps no. In either event, the relevant issue is one of fairness, not likelihood of confusion. Someone must decide if the use is fair, not whether or not it is likely to confuse.

Of course this dilemma almost only seems to occur with descriptive marks that have obtained secondary meaning. It is hard to imagine a scenario where the fair use defense would even apply with an arbitrary mark. Take Apple for instance, as in the computer firm. It is difficult to imagine a situation in which one could use the word apple in a descriptive sense to describe computers without intending to refer to the Apple brand of computers. When you consider that the words "descriptive" and "describe" are written into the language of the fair use defense, then it makes sense to conclude that the defense most likely would only arise with respect to descriptive terms.[3]

E.
AFFIRMANCE WOULD CHILL COMMERCIAL FREE SPEECH

Now let's examine the disastrous effects the Ninth Circuit's ruling would have on the Best Buy scenario if the Ninth Circuit's ruling is affirmed? The Best Buy Trademark Reg. No. 2539223 is a logo mark that contains the words Best Buy within what appears to be a price tag with arms and legs. Within a relatively short period of time the mark will be eligible for Section 15 protection, giving it the status of an incontestable mark. At that time, Best Buy might naturally argue, that the words best buy are the most prominent part of the mark, and pursuant to the doctrine of *Park n Fly*, are presumed to have acquired a secondary meaning. That would leave Best Buy free

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[3] Respondents try to confuse this issue by mentioning that its mark is incontestable and hence it is conclusively presumed to have secondary meaning. (Respondent's brief at footnote 8.) A legal presumption for one purpose does not make the presumption applicable or true for all purposes. In this case, Professor McCarthy, one of the authors of the Respondent's brief, states in his treatise: [I]n the author's opinion [the] better view is that one can make a non-infringing, descriptive fair use even if the senior user is not using the term in a descriptive sense with its goods or services. That is, the key is the junior user's descriptive use, not the senior user's descriptive use. *McCarthy on Trademark and Unfair Competition* §11:45 (4th ed. 2001). The Ninth Circuit have similarly stated, "We similarly have allowed classic fair use of a suggestive mark, which carries both an unprotectable primary meaning and a protected secondary meaning." *Brother Records, Inc. v. Jardine*, 318 F.3d 900, 907 (9th Cir. 2003).

to attack anyone that wanted to advertise that their store offered the best buy. If the Ninth Circuit is not reversed, any of Best Buys competitors will have to prove an absence of likelihood of confusion. This will be extremely difficult, if not impossible to do, because confusion will surely result from the pure descriptive nature of the words best buy. Hence the chain Best Buy would be able to remove the words best buy from the lexicon of its competitors. Worse, as a consequence of the Ninth Circuit's decision in *Playboy Enterprises, Inc. v. Netscape Communications, Corporation*, 354 F. 3d 1020 (9th Cir. 2004), Best Buy, the corporation, could take legal action against any individual wanting to use the words best buy as metatags on its website, or "key" advertisements to the words "best buy."[4] And what really makes this scenario terrible is the fact that, in this example, Best Buy, would be able to do all this, while raising its prices so high that it could conceivably have the worst buy as opposed to the best buy.

The only way to prevent what would be catastrophic to the English language is for this court to follow the rule of the 2nd Circuit in *Cosmetically Sealed Industries, Inc., v. Chesebrough-Pond's USA Co.*, (2nd Cir. 1997) 125 F. 3d 28, and hold that "Fair use is a defense to liability under the Lanham Act even if a defendant's conduct would otherwise constitute infringement of another's trademark."

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[4] The tension between trademark law and free speech becomes even more poignant today when one considers that with the advent of the internet, anyone can start a business on-line with relatively few dollars, by simply obtaining a website and signing up with Yahoo Stores, where for a few dollars a month, one is instantly in business. Moreover, someone who is not even in business, could use a descriptive word within a noncommercial website or on a message board, and suffer the wrath of a disgruntled trademark registrant intent on shutting down any use at all of a descriptive term that happens to be the most prominent term included within that trademark registrant's logo mark.

This same analysis can be repeated with Best Foods, (Trademark registration 0565259, Serial Number 71612583). The Best Foods mark is registered with the words Best Foods in stylized form without a disclaimer as to the words best foods. Shouldn't Sally be able to advertise that her restaurant offers the best food without fear of inviting a lawsuit? Shouldn't Ted be able to advertise and/or attract viewers on the internet via metatags and keying banner ads to search terms that include best food? Does consumer confusion really matter here? Not at all. Electronic stores, restaurants, and food suppliers all claim to have the best products or prices. Consumers already know to treat these claims with caution.

A similar argument can be made with the words park and fly. The Fair Use defense was not discussed in the *Park N' Fly* case. It if had been before this Court, this Court then would have had the opportunity to prevent the anomaly of giving the Park N'Fly Corporation a commercial monopoly on the words park and fly in connection with airport parking. Why shouldn't Joe be able to open a parking lot next to an airport and prominently advertise his parking lot with the words, Park and Fly? Does it really matter if confusion existed in this circumstance?

The facts in this case now before this Court offers a perfect illustration of the chilling effects an affirmance would have on free speech. Tattooing is a name of a company that is a competitor to both KP and respondents. Their brochure appears in the joint appendix at JA193-194. There is a handwritten date of 10/24/98 followed by Miami, FL on the front of the

brochure. JA 193. At JA 194, Tattooing boldly assert in the most descriptive sense, if not generic sense, that "OUR MICRO COLORS ARE THE BEST IN THE WORLD." The use by Tattooing in this illustration is purely descriptive, if not generic. It is obvious no trademark use is intended. In fact, by just glancing at the document, it is difficult to find this statement at all. Yet it appears as the first sentence in the first paragraph of the company description. Almost two years later, on September 18, 2000, Tattooing promised respondents' counsel of record never again to use the words micro colors "in its course of business or *personal* affairs". (emphasis added) JA 237. Nobody could conceivably find a likelihood of confusion between respondents' products and Tattooing's products from Tattooing's bold assertion in Tattooing's brochure that Tattooing had the best micro colors in the world. Yet, Nicole Torres, the owner of Tattooing made an outrageous promise to never say micro colors, even in her private life, presumably because it was easier to eliminate those words from her vocabulary than to finance a federal lawsuit. People like Ms. Torres need to know that the courts will not allow the law of trademarks to run rampant over their rights to free speech.

The fair use defense is a safety valve designed to give the public confidence in knowing that aggressive trademark owners seeking to gain monopoly power over words will not be able to interfere with the public's ability to use words in their ordinary meaning within the course of their business and within the scope of their personal affairs. Imagine the outrageous demands respondents might make if the fair use defense gets thrown out the window under a guise of protecting consumers from confusion. Would

Respondents threaten to arrest Ms. Torres or her employees if any of them whisper "micro color?"

When faced with words that are descriptive, but yet incorporated into trademarks or are themselves a trademark, confusion will be likely, but not due to any secondary meaning the holder of such a descriptive mark may have acquired, but rather due to the purely descriptive nature of the mark. The only alternative available to preserve commercial free speech is to allow a robust fair use defense irrespective of whether or not there may be likelihood of confusion. Allowing commercial free speech will not harm the interests of strong trademark holders. Only those with weak descriptive marks need to be concerned. But, that is their fault for choosing such a descriptive word in the first place. To alleviate this potential problem, the fair use defense was enacted.

F.
RESPONDENTS' READING OF THE LEGISLATIVE HISTORY IS FLAWED

Respondents are simply wrong to contend that, prior to 1988, "An owner of an incontestable mark could establish liability for infringement under the Lanham Act, as originally enacted, without having to marshal evidence to show a likelihood of confusion." Resp. Br. 42. Everything points to the contrary. Prior to the 1988 amendment to Section 1115(b), the courts of appeals consistently required parties alleging infringement of an incontestable mark to prove likelihood of confusion as an element of liability. See, e.g., *Miss World, Ltd. v. Mrs. America Pageants, Inc.*, 856 F.2d 1445, 1448 (9th Cir. 1988) (requiring proof of likely confusion to establish infringement of

incontestable mark); *Wynn Oil Co. v. Thomas*, 839 F.2d 1183, 1186-87 (6th Cir. 1988) (same); *Beer Nuts, Inc. v. Clover Club Foods Co.*, 805 F.2d 920, 924-25, 928 (10th Cir. 1986) (same); *Oreck Corp. v. U.S. Floor Systems, Inc.*, 803 F.2d 166, 167, 170-71 (5th Cir. 1986) (same); *Bandag, Inc. v. Al Bolser's Tire Stores, Inc.*, 750 F.2d 903, 911 & n.12 (Fed. Cir. 1984) (same); *Henri's Food Products Co., Inc. v. Kraft, Inc.*, 717 F.2d 352, 354 (7th Cir. 1983) (same); *David Sherman Corp. v. Heublein, Inc.*, 340 F.2d 377, 379 (8th Cir. 1965) (Blackmun, J.) (same); *Armstrong Cork Co. v. World Carpets, Inc.*, 597 F.2d 496, 499, 500-01 (5th Cir. 1979) (same); *John R. Thompson Co. v. Holloway*, 366 F.2d 108, 114 (5th Cir. 1966) (same); *Sun-Maid Raisin Growers of Cal. v. Sunaid Food*, 356 F.2d 467, 468 (5th Cir. 1965) (same).

This Court indicated as much in *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189 (1985). After finding, in a case that predates the 1988 amendments, that the mark was incontestable, this Court remanded for the court of appeals to address respondent's argument that "there is no likelihood of confusion and therefore no infringement justifying injunctive relief." *Id.* at 205. That remand would have been utterly pointless if, as respondents contend, no proof of confusion was required to establish infringement prior to the 1988 amendments.

The Court need not take petitioner's word for it. Counsel for respondent, Professor J. Thomas McCarthy himself, in an amicus brief filed in the *Park 'N Fly* case, argued strongly that the view that the incontestable status of a mark precluded the need to prove infringement was "not a reasonable interpretation" of the law. Amicus Br., American Intellectual Property Law Ass'n, *et al.*, at 7, *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, No. 83-1132. As that brief explained, "'Incontestability' is limited to the validity of the mark and does not eliminate the necessity of the registrant to prove infringement by likely confusion caused by defendant's conduct." *Id.* at 7-8.

Respondents' reliance (Br. 44) on a statement by the United States Trademark Association in the legislative history of the 1988 amendments is likewise misplaced. Respondents' rely on the Trademark Association's statement that: "Read literally, this would mean that if a defendant's mark is very similar and is used on the same goods as those in the [incontestable] registration, infringement would be automatic and the registrant would be relieved of his burden of proving likely confusion." The problem for respondents is what the Trademark Association said in the very next sentences -- text that respondents conveniently ignore. Here is the complete quote:

> Read literally, this would mean that if a defendant's mark is very similar and is used on the same goods as those in the [incontestable] registration, infringement would be automatic and the registrant would be relieved of his burden of proving likely confusion. **But this is inconsistent with Section 32(1)(a), which defines infringement as use which is "likely to cause confusion, or to cause mistake, or to deceive."** *Hearing before the Subcomm. on Patents, Copyrights and Trademarks of the Senate Comm. on the Judiciary*, 100th Cong., 2d Sess. 137 (March 15, 1988) (submission of U.S. Trademark Ass'n) (emphasis added).

> Indeed, the Trademark Association then elaborated: Some courts have noted in passing that incontestable status does not relieve the registrant of proving infringement, or likelihood of confusion. * * * The [United States Trademark Review] Commission believes that any doubt on this fundamental point should be eliminated. **Trademark infringement cannot be proved without likelihood of confusion, there being no trademark rights in gross or in the abstract. There is no evidence that the draftsmen of the Act intended otherwise.** *Ibid.* (emphasis added; footnote with case citations omitted).

Unable to ground their position in statutory text or legislative history, respondents discuss at great length the role of consumer confusion in common law cases concerning the tort of unfair competition. But KP has never disputed that consumer confusion has historically played and continues to play an important role in infringement and unfair competition actions. The issue in this case is which party bears the burden of proving consumer confusion or the absence thereof. The Lanham Act quite explicitly puts that burden on the plaintiff. See 15 U.S.C. 1114(1), 1115(a), 1125(a)(1)(A). Nothing in the text of the Lanham Act requires counter-point proof of non-confusion as part of the fair use defense. And placing the burden of proving confusion on the **plaintiff** is precisely what the common law tort of unfair competition did. See, e.g., *Norwich Pharmacal Co. v. Sterling Drug, Inc.*, 271 F.2d 569 (2d Cir. 1959); *National Conf. of Bar Examiners v. Multistate Legal Studies, Inc.*, 692 F.2d 478 (7th Cir. 1982); *Allstate Ins. Co. v. Allstate Inv. Corp.*, 210 F. Supp. 25 (W.D. La. 1962); *Zippo Mfg. Co. v. Rogers Imports, Inc.*, 216 F. Supp. 670 (S.D.N.Y. 1963); *Wise v.*

Bristol-Myers Co., 107 F. Supp. 800 (S.D.N.Y. 1952); *Clairol Inc. v. Gillette Co.*, 270 F. Supp. 371 (E.D.N.Y. 1967); *Gelles-Widmer Co. v. Milton Bradley Co.*, 313 F.2d 143 (7th Cir. 1963); *Anderson v. National Broadcasting Co.*, 178 F. Supp. 762 (S.D.N.Y. 1959); *Ezee Stone Cutter Mfg. Co. v. Southwest Indus. Prods.*, 262 F.2d 183 (8th Cir. 1958); *Locatelli, Inc.* v. *Tomaiuoli*, 129 F. Supp. 630 (D.N.J. 1955); *A.Y. McDonald & Morrison Mfg. Co. v. H. Mueller Mfg. Co.*, 183 F. 972 (8th Cir. 1910).

G.

THIS COURT SHOULD EXERCISE ITS DISCRETION UNDER RULE 24.1(a) AND REVERSE THE NINTH CIRCUIT ON THE GENERICNESS ISSUE

Although KP did not present the question of whether "micro colors" was generic or not in its petition for writ of certiorari, the resolution of this question is relevant to the fair use question that is before the Court. Respondent urges this court to go beyond the Question Presented and find that KP used the words "micro colors" as a trademark and/or that KP was not the prior user.[5] Resp. Br. fn22. If this Court goes

there and examines the record, it will find that rather than using the term as a trademark, KP has instead used the term in a generic sense. Hence the use of the words "micro colors" on KP's labels as simply KP Microcolor: Black, for example.

Furthermore, the use of micro colors as a generic term by Tattooing (J.A. 193-194), and the Ninth Circuit's failure to even acknowledge this piece of evidence, is enough to justify the reversal of the Ninth Circuit's ruling that "A reasonably minded jury could not conclude from the evidence produced that "micro colors" is a generic term." Pet. App. 14a. The Ninth Circuit committed plain error and if this Court is inclined to examine the record in detail, as respondents and their amici urge, at the same time, this Court should exercise its discretion to reverse the grant of summary adjudication on the genericness issue. The District Court Judge was indeed correct on this issue as well as on the fair use issue.

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[5] Respondents' attempts to argue the facts is misplaced. Both the district court and the appellate court found that KP had prior use of the term micro colors. Respondents' references to pictures of bottles produced by KP are a red herring. Those bottles appearing in the appendix were all tester bottles given away for free to cosmetologists in 1989 and 1990. (Deposition of Theresa Kim Plante, pages 139-143) Those sample bottles produced in 1989 and 1990 do not negate the claim that KP used the term microcolor on its labels since 1991. Further, the appearance of the term micro color on just one page of a ten page brochure does not constitute use as a mark. KP also disputes respondents' suggestions that respondents' goods are superior to KP's goods, and that in order to protect the public, trademark laws must prevail over free speech. The issue of whose goods are superior was never before any of the Courts, and is completely irrelevant to the issues at hand. Clearly, if it were relevant, KP could produce its set of arguments to the contrary. In addition, respondents' argument that in order to protect the public in connection with a substance such as micro colors which are injected into the skin, a court must entertain a likelihood of confusion analysis misses the point. If consumer safety is indeed an issue, that is a matter that should be taken up by the FDA. FDA regulations should be considered separate and apart from trademark law.

H.
CONCLUSION

The solution to the riddle, "What is the purpose of the fair use defense if it cannot be considered when there is a likelihood of confusion?" is quite simple. Reject the premise, and hold that fair use can apply regardless of whether or not there is a likelihood of confusion. Those applying for trademarks should be warned: select a descriptive term as your trademark, or incorporate a generic and/or descriptive term into your logo, at your peril. Although trademark rights may eventually accrue, the trademark rights will never pre-empt the rights of others to use, fairly and in good faith, the descriptive and/or generic term, otherwise than as a mark, to describe its goods or services, even if there will be a resulting likelihood of confusion.

Dated this 19th day of August, 2004

Respectfully submitted,

Michael Machat
Counsel of Record for Petitioner
9107 Wilshire Blvd., Suite 425
Beverly Hills, CA 90210
(310) 860-1833

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In the Supreme Court of the United States

KP PERMANENT MAKE-UP, INC., PETITIONER

v.

LASTING IMPRESSION, INC., ET AL.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

BRIEF FOR THE UNITED STATES AS AMICUS CURIAE SUPPORTING PETITIONER

THEODORE B. OLSON
Solicitor General
Counsel of Record

PETER D. KEISLER
Assistant Attorney General

THOMAS G. HUNGAR
Deputy Solicitor General

PATRICIA A. MILLETT
Assistant to the Solicitor General

ANTHONY J. STEINMEYER
ANTHONY A. YANG
Attorneys

Department of Justice
Washington, D.C. 20530-0001
(202) 514-2217

JAMES A. TOUPIN
General Counsel

JOHN M. WHEALAN
Solicitor

CYNTHIA C. LYNCH
NANCY C. SLUTTER
Associate Solicitors
Patent and Trademark Office
Arlington, VA 22215

QUESTION PRESENTED

Whether the Lanham Act's fair use defense to trademark infringement, 15 U.S.C. 1115(b)(4), requires the party asserting the defense to demonstrate the absence of a likelihood of consumer confusion.

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In the Supreme Court of the United States

No. 03-409

KP PERMANENT MAKE-UP, INC., PETITIONER

v.

LASTING IMPRESSION, INC., ET AL.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

BRIEF FOR THE UNITED STATES AS AMICUS CURIAE SUPPORTING PETITIONER

INTEREST OF THE UNITED STATES

This case concerns whether the Lanham Act's fair use defense in a trademark infringement case, 15 U.S.C. 1115(b)(4), requires the defendant not only to prove the statutory elements of the fair use defense, but also to demonstrate that the defendant's activity has no likelihood of causing consumer confusion as to the source of goods or services.[1] The United States Patent and Trademark Office plays a central role in the administration of the federal trademark system. See 15 U.S.C. 1051 *et seq.* Further, the United States government has a substantial interest in ensuring that federal trademark protection comports with Congress's carefully calibrated approach in the Lanham Act to advancing consumer welfare through promoting competition, enhancing the fairness and reliability of product information, and protecting consumers against confusion in the marketing of goods and services. In addition, the United States and its agencies are subject to liability under the Lanham Act, 15 U.S.C. 1122(a), and thus enjoy the protections of the fair use defense.

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[1] While trademark infringement claims can be raised both by plaintiffs and by defendants as counterclaims, for ease of reference, this brief refers to the party asserting the trademark infringement claim as a "plaintiff" and the party defending against that claim as a "defendant."

As explained below, in the government's view, the court of appeals erred in requiring defendants to prove the absence of any likelihood of consumer confusion as part of the fair use defense because (i) that factor makes no appearance in the statutory text and (ii) interpolating such a requirement cannot be reconciled with the structure and purpose of the fair use defense.

STATEMENT

1. *Legal Framework*

Congress enacted the Trademark Act of 1946 (Lanham Act), ch. 540, 60 Stat. 427, as amended, 15 U.S.C. 1051 *et seq.*, to replace a "disorderly patchwork" of federal trademark laws and to establish a uniform level of national protection for trademarks used in interstate and foreign commerce. H.R. Rep. No. 944, 76th Cong., 1st Sess. 1 (1939); *id.* at 4; see S. Rep. No. 1333, 79th Cong., 2d Sess. 4-6 (1946); H.R. Rep. No. 219, 79th Cong., 1st Sess. 3-4 (1945). The Lanham Act created a comprehensive national registration system for trademarks and put into place a federal administrative and judicial framework for regulating the use of trademarks and protecting them against infringement, dilution, and unfair competition. Such "[n]ational protection of trademarks is desirable * * * because trademarks foster competition and the maintenance of quality by securing to the producer the benefits of good reputation." *Park `N Fly, Inc.* v. *Dollar Park and Fly, Inc.*, 469 U.S. 189, 198 (1985); see 15 U.S.C. 1127 (stmn. of congressional intent).

Section 45 of the Lanham Act defines a trademark as "any word, name, symbol, or device, or any combination thereof" that is used "to identify and distinguish [a person's] goods * * * from those manufactured or sold by others and to

indicate the source of the goods." 15 U.S.C. 1127.[2] Because trademark law protects trademarks "only to the extent that they give consumers information about the origin or quality of products," *TMT North Am., Inc.* v. *Magic Touch GmbH*, 124 F.3d 876, 882 (7th Cir. 1997), such marks are generally grouped into five classes reflecting the relative potency of the term or symbol used as a mark: (1) fanciful, (2) arbitrary, (3) suggestive, (4) descriptive, and (5) generic. *Two Pesos, Inc.* v. *Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992); *Abercrombie & Fitch Co.* v. *Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976). A "fanciful" mark is a uniquely created word or symbol (*e.g.*, "Kodak," "Xerox"). An "arbitrary" mark is the use of a word or symbol the ordinary connotation of which has no natural connection to the product (*e.g.*, "Apple" Computers, "Penguin" books). A "suggestive" mark requires the use of imagination to connect the word or phrase with the product (*e.g.*, "L'eggs" hosiery). A "descriptive" mark simply describes the product or its characteristics (*e.g.*, "Rich 'N Chip" cookies). Finally, a "generic" mark is a word or phrase that is commonly used to describe an entire category or genus of products or services (*e.g.*, "Crab House," cola). Generic marks enjoy no protection under the Lanham Act or at common law.[3]

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[2] The Lanham Act also protects service marks, which identify service providers (*e.g.*, "Jiffy Lube"), certification marks, which identify the regional origin or quality of goods (*e.g.*, the "Good Housekeeping Seal of Approval"), and collective marks, which identify that a good or service is provided by a particular association (*e.g.*, ILGWU (International Ladies Garment Workers Union)). See 15 U.S.C. 1127.

[3] See 15 U.S.C. 1064(3), 1065(4); *Park `N Fly*, 469 U.S. at 194. See generally *Wal-Mart Stores, Inc.* v. *Samara Bros., Inc.*, 529 U.S. 205, 210-211 (2000); *Champions Golf Club, Inc.* v. *The Champions Golf Club, Inc.*, 78 F.3d 1111, 1117 (6th Cir. 1996); *Soweco, Inc.* v. *Shell Oil Co.*, 617 F.2d 1178, 1183-1184 (5th Cir. 1980), cert. denied, 450 U.S. 981 (1981); *Abercrombie*, 537 F.2d at 9; Stephen Elias, *Patent Copyright & Trademark* 347-351, 354-355 (1996).

Because descriptive marks identify characteristics or qualities of a product that may apply broadly to many products and services, they are protected under the Lanham Act only if they have acquired an established secondary meaning for consumers that links the word to a particular manufacturer or service provider (*e.g.*, "Chunky" candy bars, "Park `N Fly"). See 15 U.S.C. 1052(f); *Park `N Fly*, 469 U.S. at 194. Even when a descriptive mark has acquired secondary meaning and thus is eligible for protection under the Lanham Act, the trademark embraces only that acquired secondary meaning. The original and primary descriptive meaning of the term remains available for others to use to describe their products.[4]

While the Lanham Act provides protection against the infringement of unregistered trademarks, see 15 U.S.C. 1125(a), the statute provides enhanced protection for federally registered trademarks. In particular, registration on the principal register constitutes "prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce." See 15 U.S.C. 1057(b), 1115(a). Registration thus substantially eases a trademark owner's burden of proof in an infringement action.

If a trademark is used in commerce, on or in connection with the trademark holder's goods, for five consecutive years after its registration, the trademark can obtain "incontestable" status, see 15 U.S.C. 1065, which provides even more protection for the mark. First, the right of the registrant "to use [the] registered mark" in commerce on or in connection

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[4] See Restatement (Third) of Unfair Competition § 13 cmt. e, at 109 (1993) ("Protection extends, however, only to the secondary meaning that has attached to the designation. The trademark owner acquires no exclusive right to the use of the term in its original, lexicographic sense."); see also *Prestonettes, Inc.* v. *Coty*, 264 U.S. 359, 368 (1924) (a trademark "does not confer a right to prohibit the use of the word or words").

with the specified goods becomes "incontestable," subject only to specified statutory exceptions. *Ibid.* That provision thus enables the registrant to defend against efforts by others to prevent its own use of the mark.

Second, incontestable status constitutes "conclusive evidence" of the "validity of the registered mark" and, most significantly, of the registrant's "exclusive right to use the registered mark" in commerce. 15 U.S.C. 1115(b). That evidentiary rule significantly strengthens the registrant's right to exclude others from using the mark. See *Trademarks: Hearings on H.R. 4744 Before the Subcomm. on Trade-Marks of the House Comm. on Patents*, 76th Cong., 1st Sess. 105-107 (1939).[5] The incontestable status bestowed by the Lanham Act thus effectively allows a registrant "to quiet title in the ownership of his mark," *Park `N Fly*, 469 U.S. at 198, by substantially limiting the grounds on which others may contest the registrant's use or attempt their own competing uses of the mark.[6]

To deter and remedy trademark infringement, the Act provides owners of both registered and unregistered trademarks with a federal cause of action for monetary and injunctive relief. See 15 U.S.C. 1114(1) (registered marks), 1125(a) (unregistered marks); see generally *Two Pesos*, 505

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[5] See also *James Burrough Ltd.* v. *Sign of Beefeater, Inc.*, 540 F.2d 266, 273 n.15 (7th Cir. 1976) (construing "exclusive right"); *Holiday Inn* v. *Holiday Inns, Inc.*, 534 F.2d 312, 319 (C.C.P.A. 1976) (same).

[6] The term "incontestable" is something of a misnomer. The registrant's right to use the mark remains subject to challenge "to the extent" that it infringes on another's valid state-law trademark right that arose before the otherwise incontestable mark was registered. See 15 U.S.C. 1065. Likewise, an owner's right to use the trademark may be challenged if, among other things, the mark's registration was obtained fraudulently or the mark is a "generic" word or phrase, is functional, has been abandoned, is used to misrepresent the source of goods, consists of immoral, deceptive, or scandalous matter, or consists of the United States flag, coat of arms, or similar insignia. See 15 U.S.C. 1064(3), 1065; see also 15 U.S.C. 1052(a), (b) and (c).

U.S. at 768-769. A plaintiff asserting that its trademark has been infringed carries the burden of establishing two distinct elements. First, the plaintiff must prove that its mark is valid and that it has the exclusive right to use the mark. Second, the plaintiff must prove that the allegedly infringing use of the mark by the defendant is "likely to cause confusion, or to cause mistake, or to deceive" consumers. 15 U.S.C. 1114(1), 1115(a) and (b), 1125(a)(1)(A).[7] A mark's registration and/or incontestable status will ease proof of the first element, but it does not relieve the plaintiff of its separate obligation to prove a likelihood of consumer confusion. See 15 U.S.C. 1115(b); cf. *Two Pesos*, 505 U.S. at 769.

A party may defend against a claim of infringement by establishing one of nine statutory affirmative "defenses or defects." 15 U.S.C. 1115(a) and (b). One such defense is the fair use defense, which requires the defendant to prove

> [t]hat the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin.

15 U.S.C. 1115(b)(4). The fair use defense thus allows a defendant to use the term, not as a mark, but solely in a descriptive manner to characterize fairly its own products or services, even if the plaintiff has established that the term

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[7] See *Moseley* v. *V Secret Catalogue, Inc.*, 537 U.S. 418, 428 (2003); *San Francisco Arts & Athletics, Inc.* v. *United States Olympic Comm.*, 483 U.S. 522, 531 (1987); see also Paris Convention for the Protection of Industrial Property of Mar. 20, 1883, as revised on July 14, 1967, Art. 10(3)(1), 21 U.S.T. 1629, 1648, 828 U.N.T.S. 305, 337 (defining unfair competition as acts that "create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor").

has acquired secondary meaning and functions as a trademark with regard to the plaintiff's goods or services.[8]

The other "defenses or defects" are (1) that the mark's registration or incontestable status was obtained fraudulently, (2) abandonment of the mark, (3) misrepresentative use of the mark, (4) the defendant's innocent and continuous use of the mark within a limited area prior to registration by the plaintiff, (5) prior registration within a limited area (*e.g.*, under state or foreign law), (6) use of the mark in violation of federal antitrust laws, (7) the mark is functional (*e.g.*, captures an aspect of the product that contributes to its utility or is necessary for effective competition), and (8) equitable principles, such as laches, estoppel, and acquiescence. 15 U.S.C. 1115(b)(1)-(3) and (5)-(9).[9]

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[8] This Court's decision in *Park 'N Fly*, *supra*, suggested in dicta that the defenses and defects established in Section 1115(b) were not substantive defenses on the merits, but served merely to rebut the otherwise conclusive evidentiary effect of an incontestable mark's registration. See 469 U.S. at 199 n.6. Congress's subsequent amendments to Section 1115 in 1988, however, "codif[ied] judicial decisions holding that the enumerated defenses or defects to an action for infringement of an incontestable registration * * * are equally applicable in actions for infringement of marks which are not incontestable." S. Rep. No. 515, 100th Cong., 2d Sess. 38 (1988); see also 134 Cong. Rec. 31,851 (1988) (Rep. Kastenmeier); cf., *e.g.*, *Value House* v. *Phillips Mercantile Co.*, 523 F.2d 424, 429-430 (10th Cir. 1975); *Forstmann Woolen Co.* v. *Murray Sices Corp.*, 10 F.R.D. 367, 370 (S.D.N.Y. 1950). To that end, Congress amended Section 33(a) to provide that the substantive defenses and defects that apply in suits involving unregistered trademarks, which also apply to lawsuits involving registered marks by virtue of Section 33(a), "includ[e] th[e defenses and defects] set forth in Section 33(b). See Trademark Law Revision Act of 1988, Pub. L. No. 100-667, § 128(a)(4), 102 Stat. 3944. Because unregistered trademarks have no evidentiary presumption for the defense to rebut, the only role of the defenses in such cases is to defend against substantive liability. The 1988 amendments also clarified that both the mark's incontestable status and the plaintiff's proof of a likelihood of confusion—the merits of the infringement claim—"shall be subject to the following defenses or defects" enumerated in Section 1115(b). See Pub. L. No. 100-667, § 128(b)(1), 102 Stat. 3945, codified at 15 U.S.C. 1115(b). The 1988 amendments thus rendered the "defenses or defects" in Section 1115(b) defenses to the merits of an infringement claim. See also *Trademark Law Revision Act of 1987: Hearing on S. 1883 Before the Subcomm. on Patents, Copyrights & Trademarks of the Senate Comm. on the Judiciary*, 100th Cong., 2d Sess. 67, 141 & n.60 (1988) (views of U.S. Trademark Ass'n); S. Rep. No. 515, *supra*, at 3 (adopting views of U.S. Trademark Ass'n); 134 Cong. Rec. 11,073 (1988) (Sen. DeConcini) (same).

2. *Factual and Procedural Background*

a. Permanent makeup, also referred to as "micropigmentation," involves the injection of pigment into the skin to create an external visual effect, somewhat akin to tattooing. Pet. App. 3a. Permanent makeup has both medical and cosmetic applications and may, for example, be used to conceal a scar, to enhance eyebrows, or to create permanent eye liner. *Ibid.* Petitioner and respondents are competitors in the permanent makeup industry. In 1990, petitioner began using the term "microcolor" on its advertising flyers to identify and describe the range of colors and shades of pigments that it offered for permanent makeup services. In 1991, petitioner began placing the term "microcolor" on its pigment bottles to refer to the color inside. *Id.* at 3a-4a; Resp. Mot. for Summ. J. 13, 30; Resp. Reply Stmn. of Uncontroverted Facts 4 para. 4. In 1999, petitioner used the term "microcolor" on one page of a marketing brochure, which offered an illustration of the pigment colors sold by petitioner. Pet. App. 4a, 35a-45a. The word "microcolor" appeared as part of a stylized graphical header that labeled the page as petitioner's "microcolor pigment chart." *Id.* at 4a, 20a (App. B), 41a; see <*http://www.kpmakeup.com/color charts.html*> (color reproduction).

Respondents began using the term "micro colors" as a trademark for their line of permanent makeup pigments in 1992 and subsequently registered a design and word mark on the principal register in 1993. Pet. App. 3a. Respondents' trademark consists of a solid black rectangle that contains the words "micro" and "colors." *Id.* at 20a. Respondents' trademark became incontestable in 1999. *Id.* at 3a.

b. In 2000, petitioner filed suit against respondents under the Lanham Act seeking declaratory relief that its use of the word "microcolor" was lawful. Respondents counter-claimed for trademark infringement. Pet. App. 4a, 22a. The district court granted summary judgment for petitioner. *Id.* at 22a-31a. As relevant here, the district court ruled that petitioner's use of the word "microcolor" falls within the fair use defense. *Id.* at 29a-30a. Respondents concede, the court noted, that petitioner is using the word "microcolor" in its descriptive sense and not as a trade or service mark. *Id.* at 26a, 29a.[10] The court also cited petitioner's undisputed and continuous use of "microcolor" since 1990, which predated respondents' registration of their mark in 1993, as evidence that petitioner has used "microcolor" fairly and in good faith. *Ibid.* Because the district court found no issue of material fact as to the fair use defense, *ibid.*, the court concluded that it "need not discuss any demonstration of likelihood of confusion." *Id.* at 30a.[11]

c. The court of appeals reversed and remanded. Pet. App. 1a-20a. The court first held that no reasonable juror could conclude that the term "micro color" is generic, *id.* at 10a-14a, and that the trademark's incontestable status established a conclusive presumption that the term "micro color" had acquired secondary meaning. *Id.* at 14a-15a. The court of appeals then reversed the grant of summary judgment in petitioner's favor on the fair use defense. *Id.* at 15a-19a. The court held that, in order to avail itself of the fair use defense, petitioner must prove that "there is no likelihood of confusion between [its] use of the term 'micro color' and [respondents'] mark." *Id.* at 17a. In so ruling, the court relied on circuit precedent stating that the fair use defense "only *complements* the likelihood of customer confusion analysis." *Ibid.* (quoting *Cairns* v. *Franklin Mint Co.*, 292 F.3d 1139, 1150 (9th Cir. 2002)). In the court of appeals' view, "there can be no fair use if there is a likelihood of confusion." Pet. App. 17a. The court then noted that "determining whether a likelihood of confusion exists at the summary judgment stage is generally disfavored because a full record is usually required to fully assess the [relevant] facts" under the court's eight-factor test for evaluating consumer confusion. *Id.* at 18a.

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[9] Section 1115(b) appears to treat "defenses" and "defects" as interchangeable terms, according no legal significance to whether a particular showing by a defendant operates as a pure legal defense applicable to the particular defendant or more broadly serves to expose a defect in the registration of the trademark itself. See 15 U.S.C. 1115(b)(5) and (6). However, only some of the "defenses or defects" enumerated in Section 1115(b) also serve as grounds for cancellation of the registration. Compare 15 U.S.C. 1064(3) (identifying fraudulent registration, abandonment, and misrepresentation of goods or services as grounds for cancellation), and 15 U.S.C. 1065 (valid and innocent prior use of mark under local law may limit incontestable status), with 15 U.S.C. 1115(b)(1)-(3) and (5).

[10] See also Resp. Opp. to Pet. Mot. for Summ. J. 18-19; Resp. Mot. for Summ. J. 30; Resp. Stmn. of Uncontroverted Facts 3 para. 4.

[11] Because of its resolution of the case, the district court did not address whether petitioner's use of "microcolors" qualified as a prior use protected by 15 U.S.C. 1065. See Pet. App. 29a.

SUMMARY OF ARGUMENT

The court of appeals' holding—that the fair use defense requires proof that consumer confusion is unlikely—defies the plain language of that defense, as well as its overall statutory structure, the practicable functioning of the affirmative defense, congressional purpose, legislative history, and the defense's common-law antecedents. The statute spells out the elements of the fair use defense, and proof of non-confusion is not one of them.

Furthermore, judicially injecting that factor into the defense ignores its structure and purpose. To prove a claim of trademark infringement, plaintiffs must establish (1) the validity of and exclusive right to use their trademark, and (2) a likelihood of consumer confusion, mistake, or deception caused by the defendant's use of the same or a similar mark. The court of appeals thus would require defendants, in order to avail themselves of the statutory fair use defense, to disprove the very consumer confusion that the plaintiff must prove as an element of its prima facie case. But the whole point of an affirmative defense is that it absolves a defendant of liability notwithstanding the plaintiff's prima facie proof of its statutory claim. Affirmative defenses, by their nature, generally do not require negativing a central element of the plaintiff's case. The Lanham Act's fair use defense is no exception to that rule.

The court of appeals did not claim any textual anchor for its reading of the fair use defense. Instead, the court reasoned that requiring proof of non-confusion was necessary to protect consumers. The Lanham Act no doubt is concerned with reducing consumer confusion, but that is not its sole purpose. Like most laws, its terms reflect a balance of important but competing interests. By limiting a defendant's protected use of trademarked terms to purely descriptive purposes, the fair use defense is calibrated both to minimize consumer confusion and to enhance competition and consumer information by permitting fair and accurate descriptions of goods in the marketplace. Furthermore, the fair use defense enforces, in practical terms, the distinction between the secondary meaning a descriptive word has acquired through use as a trademark and its ordinary, primary descriptive meaning, which cannot be subject to a trademark and which remains in the public domain. Whether there is confusion or not, the trademark holder simply has no legal right to prevent the public from using common, ordinary descriptive words in their original sense. That is precisely what the fair use defense is designed to protect.

ARGUMENT

THE FAIR USE DEFENSE TO TRADEMARK INFRINGEMENT UNDER THE LANHAM ACT DOES NOT REQUIRE PROOF THAT CONSUMERS ARE NOT LIKELY TO BE CONFUSED

This Court has thrice before been presented with, and has thrice before rejected, judicially crafted efforts to import broad, extra-textual limitations into the trademark provisions of the Lanham Act. In *Park 'N Fly, Inc.* v. *Dollar Park and Fly, Inc.*, 469 U.S. 189, 194 (1985), the Court refused to create an extra-statutory limitation on the offensive use of incontestable marks that are descriptive and that the defendant alleged had not developed a secondary meaning. The Court "searche[d] the language of the Lanham Act in vain to find any support for the" proposed limitation on descriptive marks, and noted that adopting that limitation would "render meaningless" the express statutory protection afforded incontestable marks. *Id.* at 196. Again, in *Two Pesos, Inc.* v. *Taco Cabana, Inc.*, 505 U.S. 763 (1992), the Court rejected a general rule that trade dress—a product's "'total image and overall appearance,'" *id.* at 764 n.1—could be protected only if it had developed a secondary meaning. The Court explained that the proposed restriction on trade dress protection lacked any "textual basis" and "would undermine the purposes of the Lanham Act," *id.* at 774; see also *Qualitex Co.* v. *Jacobson Prods. Co.*, 514 U.S. 159, 162 (1995) (refusing to adopt broad exclusion of colors from trademark protection, because "[b]oth the language of the Act and the basic underlying principles of trademark law would seem to include color within the universe of things that can qualify as a trademark"); cf. *Moseley* v. *V Secret Catalogue, Inc.*, 537 U.S. 418, 433 (2003) (refusing to judicially modify the statutory standard for trademark dilution, where the "text unambiguously requires a showing of actual dilution, rather than a likelihood of dilution"). The Ninth Circuit's implication of an additional element of the fair use defense should meet the same fate, because it equally "lacks support in the words of the statute," "renders meaningless" the affirmative defense, and has no anchor in legislative history or the defense's common-law antecedents. *Park 'N Fly*, 469 U.S. at 196-197.[12]

A. The Text Of The Lanham Act's Fair Use Defense Does Not Require Proof By The Defendant Of The Absence Of A Likelihood Of Confusion

The task of discerning the components of the fair use defense "begins where all such inquiries must begin: with the language of the statute itself." *United States* v. *Ron Pair Enters., Inc.*, 489 U.S. 235, 241 (1989); see also *Park 'N Fly*, 469 U.S. at 194 ("Statutory construction [of the Lanham Act] must begin with the language employed by Congress and the assumption that the ordinary meaning of that language accurately expresses the legislative purpose."). Section 33 of the Lanham Act identifies the constituent elements of a fair use defense to trademark infringement. The defendant must prove that its use of the

> term[] or device charged to be an infringement is a use, otherwise than as a mark, * * * of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin.

15 U.S.C. 1115(b)(4).[13]

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[12] Contrast *Wal-Mart Stores, Inc.* v. *Samara Bros., Inc.*, 529 U.S. 205, 211 (2000) (adopting rule that unregistered product-design dress must have developed secondary meaning, in part because the distinction between inherently distinctive marks and merely descriptive marks that are protected only upon acquiring secondary meaning "has solid foundation in the statute itself").

[13] The fair use defense takes on a simpler form when the mark consists of an individual's name and the defendant is simply using his own name (or

Congress thus specified three components of the fair use defense. First, the defendant must prove that its use of the term or device is "otherwise than as a mark" (*ibid.*)—that is, the defendant must show that it is not using the otherwise protected term or device as a means of identifying the source of its own goods in the marketplace, see 15 U.S.C. 1127. Second, the defendant must use the term or device descriptively "only" to characterize or otherwise describe its own goods or services. Third, the defendant's descriptive use of the term or device must be undertaken "fairly and in good faith." 15 U.S.C. 1115(b)(4). The "fair[ness]" and "good faith" factors consider, respectively, the objective manner and subjective intent with which the defendant employs the term to describe its products. See Restatement (Third) of Unfair Competition (Restatement) § 28 cmts. c and d, at 295-296 (1992) (fairness of use considers, *inter alia*, where in product packaging the term appears, its physical display, and the commercial relevance of the term to the product; good faith looks to whether the user intends to capitalize on the goodwill of the trademark owner's product); *EMI Catalogue Partnership* v. *Hill, Holliday, Connors, Cosmopulos Inc.*, 228 F.3d 56, 66 (2d Cir. 2000).[14]

The court of appeals' requirement that the defendant prove the absence of a likelihood of confusion makes no

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the name of someone in privity with him) in his own business. See 15 U.S.C. 1115(b)(4).

[14] The question whether a term is being used "fairly * * * only to describe the goods or services" (15 U.S.C. 1115(b)(4)) turns upon a factual analysis of the physical manner and context in which the term is presented and its objective fairness and accuracy. For that reason, the court of appeals did not attempt to rely on that prong of the defense as the source of its broad requirement that the defendant prove an absence of confusion in order to establish the fair use defense. Nor, given the specificity with which Congress elsewhere imposed proof requirements pertaining to consumer confusion, see page 15 & n.15, *infra*, is there any reason to conclude that Congress intended the phrase "fairly * * * describe[s]" to carry that weight.

appearance in the statutory text. It simply is not one of the elements of the fair use defense that Congress enacted, and this Court "ordinarily resist[s] reading words or elements into a statute that do not appear on its face." *Bates* v. *United States*, 522 U.S. 23, 29 (1997); see *Lamie* v. *United States Trustee*, 124 S. Ct. 1023, 1032 (2004).

Such hesitation is particularly appropriate here, because other provisions of the Lanham Act evidence that Congress knows how to make consumer confusion relevant to trademark claims when it wants to. See 15 U.S.C. 1051(a)(3)(D) (application to register trademark requires averment that no one else has the right to use the mark in a manner "as to be likely * * * to cause confusion, or to cause mistake, or to deceive"), and (b)(3)(D) (same for application based on bona fide intention to use trademark).[15] Where Congress "includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion," *Beach* v. *Ocwen Federal Bank*, 523 U.S. 410, 418 (1998) (internal quotation marks omitted), and the Court's "duty [is] to refrain from reading" such a requirement back "into the statute when Congress has left it out," *Keene Corp.* v. *United States*, 508 U.S. 200, 208 (1993).[16]

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[15] See also 15 U.S.C. 1052(d) (prohibiting registration of trademarks that "so resemble[]" existing trademarks as "to cause confusion, or to cause mistake, or to deceive"), 1066 (same for declaration of interference with a registered trademark by the Patent and Trademark Office), 1114(1) (proof of use in a manner "to cause confusion, or to cause mistake, or to deceive" is an element of trademark infringement), 1125(a)(1)(A) (same for proof of unfair competition claim), 1127 (same for definition of "colorable imitation").

[16] The fair use defense, as designed by Congress, conforms with the United States' obligations under the World Trade Organization's Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Annex 1C, Art. 17, 33 I.L.M. 1197, 1204 (1994) ("Members may provide limited exceptions to the rights conferred by a trademark, such as

B. The Context And Overall Structure Of The Lanham Act's Fair Use Defense Demonstrate That The Defendant Need Not Prove The Absence Of A Likelihood Of Confusion

"Language, of course, cannot be interpreted apart from context." *Smith* v. *United States*, 508 U.S. 223, 229 (1993). The overall structure and design of Section 1115's affirmative defense provision reveals the unworkability of the court of appeals' non-textual requirement that defendants prove an absence of likely confusion.

1. *Requiring Proof Of Non-Confusion Would Render The Affirmative Defense Superfluous*

Section 1115(b) establishes a framework for proving and defending against trademark infringement claims when a trademark has attained incontestable status. That Section imposes on the plaintiff the burden of establishing, first, its right to exclude others from use of the registered mark (an "exclusive right" that is conclusively proven by its incontestable status), and, secondly, "proof of infringement as defined in section 1114"—that is, proof that the defendant's use "is likely to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. 1115(b) (cross-referencing 15 U.S.C. 1114(1)).[17] Once the plaintiff has met that burden, Section 1115(b) instructs that the plaintiff's case "shall be subject to the following [nine] defenses or defects," one of which is the fair use defense.

Because the party asserting an infringement claim must always prove a likelihood of confusion in order to prevail, neither the fair use defense nor any of the other defenses in Section 1115(b) would be needed if there were no such likelihood of confusion. The plaintiff's case would fail on its own terms. The defenses to trademark infringement established by Congress are, by their very design, intended to apply after the plaintiff has introduced prima facie proof of a likelihood of confusion. Construing the statutory fair use defense to require disproving the very predicate that triggers application of the defense in the first place thus would empty the defense of significance.[18] As the Fourth Circuit explained in rejecting the Ninth Circuit's augmentation of the fair use defense:

> [I]t defies logic to argue that a defense may not be asserted in the only situation where it even becomes relevant. If a fair-use defense is not to be considered when there is a likelihood of confusion, then it is never to be considered. * * * A defense which can be considered only when the *prima facie* case has failed is no defense at all.

Shakespeare Co. v. *Silstar Corp.*, 110 F.3d 234, 243 (4th Cir. 1997), cert. denied, 522 U.S. 1046 (1998); see also *Soweco,*

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fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties."). Other countries' trademark laws similarly establish a fair use exception, and they do not appear to include proof of non-confusion as an element of the defense. See, *e.g.*, European Council Regulation No. 40/94 on the Community Trade Mark, Dec. 20, 1993, Art. 12 ("Limitation of the effects of a Community trade mark—A Community trade mark shall not entitle the proprietor to prohibit a third party from using in the course of trade: * * * (b) indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of the goods or of rendering of the service, or other characteristics of the goods or service."); Australian Trade Marks Act of 1995, as amended in 2003, Sec. 122 ("[A] person does not infringe a registered trade mark when: * * * (b) the person uses a sign in good faith to indicate: (i) the kind, quality, quantity, intended purpose, value, geographical origin, or some other characteristic, of goods or services.").

[17] See also, *e.g.*, 15 U.S.C. 1115(a), 1125(a)(1)(A); *Two Pesos*, 505 U.S. at 768, 769; *Packman* v. *Chicago Tribune Co.*, 267 F.3d 628, 638 & n.8 (7th Cir. 2001); *Time, Inc.* v. *Petersen Publ'g Co.*, 173 F.3d 113, 117 (2d Cir. 1999).

[18] See *Black's Law Dictionary* 55 (5th ed. 1979) (defining "affirmative defense" as a "new matter which, assuming the complaint to be true, constitutes a defense to it").

Inc. v. *Shell Oil Co.*, 617 F.2d 1178, 1189 n.30 (5th Cir. 1980) ("[E]ven if there were a likelihood of confusion, the defendant would still be entitled to its fair-use defense, so long as it had met the requirements of § 1115(b)(4). To hold otherwise would effectively eviscerate the fair-use defense."), cert. denied, 450 U.S. 981 (1981); cf. *Mil-Mar Shoe Co.* v. *Shonac Corp.*, 75 F.3d 1153, 1161 n.17 (7th Cir. 1996) (state-law fair use defense "would serve no purpose" if the defendant had to prove no likelihood of confusion; under such a scheme, "either there is a likelihood of confusion, which would preclude the defense, or there is no likelihood of confusion, in which case the defense is unnecessary").[19]

It is a "settled rule" that statutes "must, if possible, be construed in such fashion that every word has some operative effect." *United States* v. *Nordic Village, Inc.*, 503 U.S. 30, 36 (1992). The court of appeals' requirement that defendants disprove any likelihood of confusion in order to establish the fair use defense, however, leaves that statutory defense "with no job to do," *Doe* v. *Chao*, 124 S. Ct. 1204, 1210 (2004), and it must therefore be rejected.

2. *The Court Of Appeals' Policy Rationale Fails*

The court of appeals failed to explain why any defendant who can prove that there is no likelihood of confusion, and thus can defeat the plaintiff's case on its own terms, would bother assuming the difficult task of proving the other statutory elements of the fair use defense. Nor did it explain

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[19] See also *Cosmetically Sealed Indus.* v. *Chesebrough-Pond's USA Co.*, 125 F.3d 28, 31 (2d Cir. 1997); *Sunmark, Inc.* v. *Ocean Spray Cranberries, Inc.*, 64 F.3d 1055, 1059 (7th Cir. 1995). Even if the fair use defense were deemed only to rebut the conclusive evidentiary effect of registration, rather than to provide a substantive defense on the merits of an infringement claim, see n. 8, *supra*, the court of appeals' decision would still render the defense superfluous. That is because it will always be easier to rebut the plaintiff's evidence of likely confusion with proof of non-confusion than to prove all the elements of the fair use defense in addition to proving non-confusion.

why Congress would enact an affirmative defense that, in practice, "accomplishes nothing." *Doe* v. *Chao*, 124 S. Ct. at 1210. The sole justification the court offered for supplementing the fair use defense with an unwritten element is the perceived need to prevent consumer confusion. The authority for the court's holding in that regard (Pet. App. 17a) traces back to the Fifth Circuit's ruling in *Zatarains, Inc.* v. *Oak Grove Smokehouse, Inc.*, 698 F.2d 786 (1983).[20] *Zatarains*, in turn, simply cites and follows, without elaboration or analysis, the interpretation of the fair use defense advocated by Thomas McCarthy in his treatise on trademark law. *Id.* at 791, 796.[21] That treatise opines that a use "should be deemed 'fair' only if it is non-confusing" "[b]ecause a paramount goal of the law of trademarks is to prevent likely confusion." 2 J. Thomas McCarthy, *McCarthy on Trademarks & Unfair Competition* (*McCarthy*) § 11:47, at 11-95 (2003).

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[20] The court of appeals (Pet. App. 17a) cited and followed dicta in *Cairns* v. *Franklin Mint Co.*, 292 F.3d 1139, 1151 (9th Cir. 2002). *Cairns*, in turn, relies on *Transgo, Inc.* v. *Ajac Transmission Parts Corp.*, 911 F.2d 363 (9th Cir. 1990), and *Lindy Pen Co.* v. *Bic Pen Corp.*, 725 F.2d 1240, 1248 (9th Cir. 1984), cert. denied, 469 U.S. 1188 (1985). *Lindy Pen* does not support *Cairns'* dicta. See 725 F.2d at 1248 (noting only that the Ninth Circuit had yet to interpret the fair use defense to apply when a likelihood of confusion is shown, and then denying the defense on alternative grounds). *Transgo*, however, does appear to hold that the fair use defense will apply only if the challenged "'use does not lead to consumer confusion,'" relying entirely on *Zatarains*, without providing any further analysis. See 911 F.2d at 365 n.2.

[21] For its part, the Fifth Circuit has authored conflicting views on whether the fair use defense applies when the challenged use gives rise to a likelihood of confusion. Compare *Zatarains*, *supra*, with *Soweco*, 617 F.2d at 1189 n.30 (alternative holding that fair use defense would apply "even if there were a likelihood of confusion"), *Sugar Busters, LLC* v. *Brennan*, 177 F.3d 258, 271 (5th Cir. 1999) (dicta adopting *Soweco* view); *Pebble Beach Co.* v. *Tour 18 I Ltd.*, 155 F.3d 526, 545 n.12 (5th Cir. 1998) (same), abrogated in part on other grounds, *TrafFix Devices, Inc.* v. *Marketing Displays, Inc.*, 532 U.S. 23 (2001).

That assertion is simply too thin a reed on which to hang judicial emendation of statutory text, as other authorities have recognized.[22] First, while averting consumer confusion is undoubtedly one important congressional purpose, see, *e.g.*, 15 U.S.C. 1127, "the Lanham Act * * * has never provided absolute protection against all consumer confusion." *Vornado Air Circulation Sys., Inc.* v. *Duracraft Corp.*, 58 F.3d 1498, 1509 (10th Cir. 1995), cert. denied, 516 U.S. 1067 (1996). Indeed, no legislation "pursues its purposes at all costs." *Rodriguez* v. *United States*, 480 U.S. 522, 525-526 (1987) (per curiam). "Deciding what competing values will or will not be sacrificed to the achievement of a particular objective is the very essence of legislative choice." *Id.* at 526; see also *Director, Office of Workers' Comp. Programs* v. *Newport News Shipbuilding & Dry Dock Co.*, 514 U.S. 122, 136 (1995) ("Every statute proposes, not only to achieve certain ends, but also to achieve them by particular means—and there is often a considerable legislative battle over what those means ought to be."). To assume, as McCarthy's treatise and the Ninth Circuit did, "that whatever furthers the statute's primary objective must be the law," ultimately "frustrates rather than effectuates legislative intent," *Rodriguez*, 480 U.S. at 526, by failing to reserve for Congress the policy compromises and trade-offs inherent in the creation of any defense to trademark infringement.

Second, to the extent that the plaintiff has chosen to use a descriptive word as a mark, the argument overlooks the fact that the trademark in a descriptive term attaches only to the specialized, secondary meaning that a word has acquired, and not to its original, primary descriptive content. See *Qualitex*, 514 U.S. at 171-172; *Park 'N Fly*, 469 U.S. at 194;

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[22] See 3 Jerome Gilson, et al., *Trademark Protection and Practice* § 11.08[3][d][i][D], at 11-201 to -202 (2003) (the "modern trend" is "to hold that fair use of a term should be protected even if some confusion is likely") (footnote omitted); Restatement, *supra*, § 28 cmt. a, at 295.

Restatement § 13 cmt. e. The fair use defense gives practical force to that distinction by protecting the public's right to continue using the primary descriptive value of words and thus to use that aspect of a word that falls *outside* the scope of the trademark. The central purpose of the fair use defense, in other words, is to protect particular descriptive usages that are *not* covered by the trademark and thus are not, by definition, infringing uses. The trademark holder should not be able to circumvent that inherent and essential limitation on the scope of its mark merely by showing that some consumers might be confused. Indeed, allowing the mark holder to establish infringement based on the purely descriptive use of a word would *expand*, rather than enforce, the holder's existing rights in the trademark. In any event, if consumer confusion results from the word's descriptive use, "that is a risk the plaintiff accepted when it decided to identify its product with a mark that uses a well known descriptive phrase." *Cosmetically Sealed Indus.* v. *Chesebrough-Pond's USA Co.*, 125 F.3d 28, 30 (2d Cir. 1997).[23]

Third, if the Ninth Circuit were correct that preventing consumer confusion were the controlling imperative of trademark law, then one would expect that consumer confusion would be a component of all, or at least some, of the other eight defenses in Section 1115(b) as well. But it is not. Not a single one of the other defenses requires defendants to prove an absence of consumer confusion.

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[23] The fair use defense is not restricted to alleged infringements of descriptive marks. As long as the terms of Section 1115(b)(4) are satisfied and, in particular, the defendant's use of a term is purely descriptive, the defense is available regardless of whether the plaintiff's mark is characterized as arbitrary, suggestive, or descriptive. That is because the fair use defense focuses on how the defendant uses a term, not how the trademark holder uses it. See *Brother Records, Inc.* v. *Jardine*, 318 F.3d 900, 907 (9th Cir.), cert. denied, 124 S. Ct. 155 (2003); *Car-Freshner Corp.* v. *S.C. Johnson & Son, Inc.*, 70 F.3d 267, 269 (2d Cir. 1995); but see *Institute for Scientific Information, Inc.* v. *Gordon & Breach, Science Publishers, Inc.*, 931 F.2d 1002, 1010 (3d Cir.) (finding that mark was "clearly descriptive * * * was necessary before deciding whether defendants could avail themselves of the fair use defense"), cert. denied, 502 U.S. 909 (1991).

Nor would such a requirement make sense, because the listed defenses serve important public policy goals that stand separate and apart from any generalized interest in preventing consumer confusion. The strong public interest in preventing fraud, misrepresentation, or violations of the antitrust laws, see 15 U.S.C. 1115(b)(1), (3), and (7), outweighs any countervailing interest in protecting consumers from confusion about the source of goods. Likewise, keeping functional devices in play and opening abandoned marks to new, beneficial uses, see 15 U.S.C. 1115(b)(2) and (8), enhances competition and the information available to consumers, even if those benefits come at the price of some consumer confusion. The equitable defenses afforded by subsection (b)(9)—laches, estoppel, and acquiescence—also serve distinct policy goals and have not been construed by courts to require a showing of non-confusion by the defendant, despite their broad equitable nature.

Most tellingly, the protection afforded by the fifth and sixth defenses for innocent use of a mark in a localized area and for a prior valid use necessarily presupposes the existence of consumer confusion because it authorizes the defendant's use of a term or device that both could be identical to the registered mark and used by the defendant as a trademark. See, *e.g.*, *United Drug Co.* v. *Theodore Rectanus Co.*, 248 U.S. 90, 97, 103-104 (1918) (acknowledging the confusion that arises from dual usage of a mark even in a limited geographical area); *Thrifty Rent-A-Car Sys., Inc.* v. *Thrift Cars, Inc.*, 831 F.2d 1177, 1184 (1st Cir. 1987) ("[W]e recognize that some consumer confusion may result."). Those two defenses thus, by their very nature, embody a level of consumer confusion that Congress considered

tolerable in light of the competing interests in protecting innocent uses.[24]

And so it is with the fair use defense. Like the other defenses surrounding it, the fair use defense effectuates important policy interests that Congress wanted to advance in spite of, not just in the absence of, a likelihood of consumer confusion. See *Beecham* v. *United States*, 511 U.S. 368, 371 (1994) (the fact that "several items in a list share an attribute counsels in favor of interpreting the other items as possessing that attribute as well"). The fair use defense reflects Congress's judgment that there is a separate and distinct value in allowing producers to provide and consumers to receive accurate and meaningful descriptions of goods and services and thus preserving for "the public domain language that is merely descriptive." *Park 'N Fly*, 469 U.S. at 201 (citing *Hearings on H.R. 102, H.R. 5461, and S. 895 Before the Subcomm. on Trade-Marks of the House Comm. on Patents* (*H.R. 102 Hearings*), 77th Cong., 1st Sess. 110-111 (1941) (testimony of Wallace Martin, Chair, American Bar Ass'n Trade-Mark Comm.)); see also *id.* at 215 (Stevens, J., dissenting) (businesses should not be able to "claim[] the exclusive right to use words or phrases that are a part of our common vocabulary"). The fair use defense, "in essence, forbids a trademark registrant to appropriate a descriptive term for his exclusive use and so prevent others from accurately describing a characteristic of their goods." *Soweco*, 617 F.2d at 1185; see *Abercrombie*, 537 F.2d at 12 ("When a plaintiff has chosen a mark with some descriptive qualities, he cannot altogether exclude some kinds of competing uses even when the mark is properly on the register."). Thus, the fair use defense, like Section 1115(b)'s other eight defenses, evidences that "the Lanham Act does not require the complete elimination of all confusion," where extirpating such confusion would come at the expense of competing public interests. *Thrifty Rent-A-Car*, 831 F.2d at 1184. "At bottom," the Ninth Circuit's elevation of consumer confusion to a singularly controlling consideration in the fair use defense "simply disagrees with the balance struck by Congress." *Park 'N Fly*, 469 U.S. at 202.

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[24] Underscoring that proof of non-confusion is *not* a part of the other Section 1115(b) defenses, a number of courts have allowed plaintiffs to respond to invocations of the valid local use (Section 1115(b)(5)) or equitable defenses (Section 1115(b)(9)) with evidence of consumer confusion and then have considered the existence of such confusion in framing remedial decrees. In so holding, however, the courts have placed the burden of proving such confusion squarely on the plaintiff, not on the defendant. See, *e.g.*, *Resorts of Pinehurst, Inc.* v. *Pinehurst Nat'l Corp.*, 148 F.3d 417, 423 (4th Cir.) ("strong proof of likelihood of confusion" by the plaintiff supports issuance of an injunction notwithstanding the defendant's proof of laches and acquiescence), cert. dismissed, 525 U.S. 1051 (1998); *TMT North America, Inc.* v. *Magic Touch GmbH*, 124 F.3d 876, 886 (7th Cir. 1997) ("The law therefore allows the senior user's claim to be revived from estoppel if the *senior user can show* that 'inevitable confusion' would result from dual use of the marks," but the court should "structur[e] a remedy" that "minimiz[es] the hardship" on both parties) (emphasis added); *SunAmerica Corp.* v. *Sun Life Assurance Co.*, 77 F.3d 1325, 1335 (11th Cir.) (the registered user must "make out a prima facie case * * * before consideration of affirmative defenses, such as acquiescence," and, if the defense is established, the registered user must "prove[] the inevitability of confusion" if it wishes the court to employ "traditional equitable principles when fashioning injunctive relief"), cert. denied, 519 U.S. 822 (1996); *Thrifty Rent-A-Car*, 831 F.2d at 1184 & n.9 (remedial decree regulating use of mark by innocent local user, under Section 1115(b)(5), adequately addressed plaintiff's allegation of "substantial consumer confusion"); *Burger King* v. *Hoots*, 403 F.2d 904, 908-909 (7th Cir. 1968) (remedial decree adequately addressed the plaintiffs' concerns about confusion arising from local use of mark permitted by Section 1115(b)(5) by restricting the use to a "sufficiently distinct and geographically separate market[] so that public confusion would be reduced to a minimum").

C. No Other Considerations Justify Judicial Supplementation Of The Fair Use Defense Enacted By Congress

The language and context of Section 1115(b) provide a "straightforward" answer to the question whether the fair use defense includes an unwritten requirement that defendants prove the absence of likely confusion, and with that "straightforward application ready to hand, statutory interpretation has no business getting metaphysical." *Lexecon Inc.* v. *Milberg Weiss Bershad Hynes & Lerach*, 523 U.S. 26, 37 (1998). But even were the Court to consider other factors, such as legislative history and common-law practice, none of them would support the court of appeals' holding.

1. *Legislative History*

The Ninth Circuit's requirement that non-confusion be proven lacks any foundation in the legislative history of the fair use provision. While the pertinent legislative history is sparse, this Court recognized in *Park 'N Fly* that Congress strove to balance the interest in avoiding consumer confusion against the competing public interest in preserving descriptive words for accurate and informative use in the marketplace. 469 U.S. at 201. In adopting the fair use defense, Congress considered "the public viewpoint," not just "the trade-mark owner's viewpoint," and thus ensured that "[e]verybody has got a right to the use of the English language and * * * to assume that nobody is going to take that English language away from him." *H.R. 102 Hearings* 72 (Wallace Martin). By allowing persons other than the trademark owner to make a fair and good faith use of such descriptive terms for the limited purpose of describing their own goods, Congress preserved "the trade-mark owner['s] absolute and complete control over [the words] as a trademark," while allowing others "to use the same [words] in a wholly incidental and descriptive manner in describing the[ir] product[s]." *Id.* at 70 (testimony of Karl Pohl, U.S. Trade Mark Ass'n); see also *Park 'N Fly*, 469 U.S. at 201 (fair use defense was designed to preserve for "the public domain language that is merely descriptive").

Indeed, had Congress wanted to make consumer confusion an element of the fair use defense, it would have enacted one of the earlier versions of the fair use defense, which required a defendant to show that its descriptive use of the term was "not likely to deceive the public." H.R. 5461, 77th Cong., 1st Sess. § 33(b)(4), at 28 (1941). Congress, however, rejected that language. See *H.R. 102 Hearings* 38, 44, 61; see also *id.* at 167-168 (unenacted proposals that fair use defense require that the use be "made in a manner not calculated to deceive the public" or "not likely to deceive the public") (Prof. Milton Handler). The court of appeals' reading of the statute thus accords with Congress's "discarded draft[s]." *John Hancock Mut. Life Ins. Co.* v. *Harris Trust & Sav. Bank*, 510 U.S. 86, 101 (1993). But it is the statutory text that Congress actually adopted that establishes the elements of the fair use defense.

2. *Common Law*

The court of appeals' holding that the fair use defense requires proof of non-confusion likewise lacks any foundation in the common law. Indeed, the fair use defense itself has a very limited common-law pedigree because the common law generally did not afford trademark protection to descriptive marks. See *Armstrong Paint & Varnish Works* v. *Nu-Enamel Corp.*, 305 U.S. 315, 335 (1938); 1 *McCarthy, supra*, § 5:3, at 5-8; see also *Franklin Knitting Mills, Inc.* v. *Fashionit Sweater Mills, Inc.*, 297 F. 247, 248 (S.D.N.Y. 1923) (Learned Hand, J.) ("[T]he validity of the mark ends where suggestion ends and description begins."), aff'd, 4 F.2d 1018 (2d Cir. 1925).

The common law, however, did afford limited trademark protection to descriptive terms that had acquired a "secondary meaning"—that is, descriptive terms that had developed a specialized public association between the word and the trademark holder's products. The protection afforded such marks presaged the fair use defense of Section 1115(b) by providing "protection against [the words'] unfair use *as a trade-mark*" only. *Armstrong Paint*, 305 U.S. at 335. But the common law did "not confer a monopoly on the use of

the words" themselves. *Ibid.*; cf. *Thaddeus Davids Co.* v. *Davids*, 233 U.S. 461, 470 (1914) (descriptive trademarks with secondary meaning recognized as marks only "in this limited character"). Consequently, when "marks consist[ed] of names or terms having double significance," which were "susceptible of legitimate uses with respect to their primary [*i.e.*, descriptive] sense," this Court recognized that another's non-trademark use of such names or terms would constitute infringement only if it was not undertaken in good faith. *Id.* at 470 (unfair competition resulted only if use of the descriptive term was "calculated to mislead the public with respect to the origin or ownership of the goods and thus to invade the right of the registrant").

Consistent with the limited protection afforded descriptive trademarks, this Court's pre-Lanham Act decisions indicate that a fair, descriptive use of language contained in a mark is permissible regardless of whether it generates some consumer confusion.

> The use of a similar name by another to truthfully describe his own product does not constitute a legal or moral wrong, even if its effect be to cause the public to mistake the origin or ownership of the product.

William R. Warner & Co. v. *Eli Lilly & Co.*, 265 U.S. 526, 528 (1924); see *Howe Scale Co.* v. *Wyckoff, Seamans, & Benedict*, 198 U.S. 118, 140 (1905) ("[C]ourts will not interfere where the only confusion, if any, results from a similarity of names, and not from the manner of the use. The essence of the wrong in unfair competition consists in the sale of the goods of one manufacturer or vendor for those of another; and if defendant conducts its business as not to palm off its goods as those of complainant, the action fails.").[25]

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[25] See also *Standard Paint Co.* v. *Trinidad Asphalt Mfg. Co.*, 220 U.S. 446, 453 (1911) ("'[N]o one can appropriate as a trade-mark a generic name or one descriptive of an article of trade, its qualities, ingredients, or

The Restatement of the Law of Unfair Competition continues that trend, specifically refusing to engraft onto the fair use defense a requirement that the defendant prove nonconfusion. Quite the opposite, the fair use defense "can be applicable even if the trademark owner presents evidence sufficient to prove a likelihood of confusion." Restatement, *supra*, § 28 cmt. b, at 295. As long as

> the manner of use by the defendant is reasonable in light of the commercial justification for the use, the possibility or even certainty that some prospective purchasers will perceive the term as an indication of source despite the reasonableness of the defendant's use is not sufficient to deprive the defendant of the right to employ the term in its descriptive sense.

Ibid. In short, "a defendant who uses a descriptive term fairly and in good faith to describe its goods or services is not liable for infringement even if some residual confusion is likely." *Ibid.*

The court of appeals thus erred in concluding, without textual support, that Congress's statutory protection for fair use is more grudging than the common law. Cf. *Green* v. *Bock Laundry Machine Co.*, 490 U.S. 504, 521 (1989) ("A party contending that legislative action changed settled law has the burden of showing that the legislature intended such a change.").

Finally, the Ninth Circuit's approach makes the litigation of trademark infringement claims unduly cumbersome. As the Ninth Circuit noted, determining whether there is a likelihood of consumer confusion is a fact-intensive inquiry that infrequently lends itself to summary adjudication. Pet. App. 18a. If consumer confusion were to become a component both of the plaintiff's opening case and the defendant's affirmative defense, summary judgment would become a rare event in fair use cases. Indeed, the burden on defendants would be particularly onerous because the question not only is fact intensive, but also requires proof of a negative—the absence of a likelihood of confusion. "Since as a practical matter it is never easy to prove a negative, it is hardly likely that conclusive factual data could ever be assembled." *Elkins* v. *United States*, 364 U.S. 206, 218 (1960). It is unlikely that Congress would legislate such an unwieldy proof scheme in an Act designed to make trademark protection "simpl[er], less expensive and more certain." H.R. Rep. No. 944, 76th Cong., 1st Sess. 2 (1939); see *Wal-Mart Stores, Inc.* v. *Samara Bros., Inc.*, 529 U.S. 205, 214 (2000) (noting the anti-competitive effects that trademark litigation can have); *H.R. 102 Hearings* 67 (Wallace Martin) (the fair use defense should be easy to resolve because "it ought not to be a very difficult thing for a court to determine whether a word is merely descriptive and is used in good faith").

Nor is the risk of consumer confusion arising from genuine fair uses so significant as to warrant imposition of a judicially crafted remedy. The self-limiting terms of the fair use defense ameliorate the risk of confusion by restricting the defendant's use of a term to a purely descriptive and nontrademark function that is undertaken fairly and in good faith. Because the use is circumscribed, most fair uses will "be unlikely as a practical matter to create a likelihood of confusion." Restatement, *supra*, § 28 cmt. c, at 295. Moreover, evidence of consumer confusion introduced by the *plaintiff*, when combined with evidence of a defendant's particular manner of using or displaying a term, may indicate that the defendant is using the term as a trademark and thus that the fair use defense fails. See *PACCAR, Inc.* v. *Tele-*

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characteristics, or any sign, word, or symbol which, from the nature of the fact it is used to signify, others may employ with equal truth.'"); but cf. *Prestonettes, Inc.* v. *Coty*, 264 U.S. 359, 368 (1924) ("When the mark is used in a way that does not deceive the public we see no such sanctity in the word as to prevent its being used to tell the truth. It is not taboo.").

Scan Techs., LLC, 319 F.3d 243, 255 (6th Cir. 2003); *Sunmark, Inc.* v. *Ocean Spray Cranberries, Inc.*, 64 F.3d 1055, 1059 (7th Cir. 1995). But forcing defendants to prove the absence of consumer confusion has no place in the carefully crafted affirmative defense for fair use that Congress enacted. "To limit this statute in the manner now asked for would be to make a new law, not to enforce an old one. This is no part of [the Court's] duty." *United States* v. *Reese*, 92 U.S. 214, 221 (1875).

CONCLUSION

The judgment of the court of appeals should be reversed and the case should be remanded for further proceedings consistent with this Court's decision.

Respectfully submitted.

THEODORE B. OLSON
Solicitor General
PETER D. KEISLER
Assistant Attorney General
THOMAS G. HUNGAR
Deputy Solicitor General
PATRICIA A. MILLETT
Assistant to the Solicitor General
ANTHONY J. STEINMEYER
ANTHONY A. YANG
Attorneys

JAMES A. TOUPIN
General Counsel
JOHN M. WHEALAN
Solicitor
CYNTHIA C. LYNCH
NANCY C. SLUTTER
Associate Solicitors
Patent and Trademark Office

APRIL 2004

APPENDIX

The Trademark Act of 1946, ch. 540, 60 Stat. 427, as amended, provides in relevant part, as codified in Title 15, United States Code:

§ 1065. Incontestability of right to use mark under certain conditions

Except on a ground for which application to cancel may be filed at any time under paragraphs (3) and (5) of section 1064 of this title, and except to the extent, if any, to which the use of a mark registered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of registration under this chapter of such registered mark, the right of the registrant to use such registered mark in commerce for the goods or services on or in connection with which such registered mark has been in continuous use for five consecutive years subsequent to the date of such registration and is still in use in commerce, shall be incontestable: *Provided*, That—

(1) there has been no final decision adverse to registrant's claim of ownership of such mark for such goods or services, or to registrant's right to register the same or to keep the same on the register; and

(2) there is no proceeding involving said rights pending in the Patent and Trademark Office or in a court and not finally disposed of; and

(3) an affidavit is filed with the Director within one year after the expiration of any such five-year period setting forth those goods or services stated in the registration on or in connection with which such mark has been in continuous use for such five consecutive years and is still in use in commerce, and other matters specified in paragraphs (1) and (2) of this section; and

(4) no incontestable right shall be acquired in a mark which is the generic name for the goods or services or a portion thereof, for which it is registered.

Subject to the conditions above specified in this section, the incontestable right with reference to a mark registered under this chapter shall apply to a mark registered under the Act of March 3, 1881, or the Act of February 20, 1905, upon the filing of the required affidavit with the Director within one year after the expiration of any period of five consecutive years after the date of publication of a mark under the provisions of subsection (c) of section 1062 of this title.

The Director shall notify any registrant who files the above-prescribed affidavit of the filing thereof.

* * * * *

§ 1114. Remedies; infringement; innocent infringement by printers and publishers

(1) Any person who shall, without the consent of the registrant—

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive,

shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) hereof, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

As used in this paragraph, the term "any person" includes the United States, all agencies and instrumentalities thereof, and all individuals, firms, corporations, or other persons acting for the United States and with the authorization and consent of the United States, and any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity. The United States, all agencies and instrumentalities thereof, and all individuals, firms, corporations, other persons acting for the United States and with the authorization and consent of the United States, and any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this chapter in the same manner and to the same extent as any nongovernmental entity.

(2) Notwithstanding any other provision of this chapter, the remedies given to the owner of a right infringed under this chapter or to a person bringing an action under section 1125(a) or (d) of this title shall be limited as follows:

(A) Where an infringer or violator is engaged solely in the business of printing the mark or violating matter for others and establishes that he or she was an innocent infringer or innocent violator, the owner of the right infringed or person bringing the action under section 1125(a) of this title shall be entitled as against such infringer or violator only to an injunction against future printing.

(B) Where the infringement or violation complained of is contained in or is part of paid advertising matter in a newspaper, magazine, or other similar periodical or in an electronic communication as defined in section 2510(12) of Title 18, the remedies of the owner of the right infringed or person bringing the action under section 1125(a) of this title as against the publisher or distributor of such newspaper, magazine, or other similar periodical or electronic communication shall be limited to an injunction against the presentation of such advertising matter in future issues of such newspapers, magazines, or other similar periodicals or in future transmissions of such electronic communications. The

limitations of this subparagraph shall apply only to innocent infringers and innocent violators.

(C) Injunctive relief shall not be available to the owner of the right infringed or person bringing the action under section 1125(a) of this title with respect to an issue of a newspaper, magazine, or other similar periodical or an electronic communication containing infringing matter or violating matter where restraining the dissemination of such infringing matter or violating matter in any particular issue of such periodical or in an electronic communication would delay the delivery of such issue or transmission of such electronic communication after the regular time for such delivery or transmission, and such delay would be due to the method by which publication and distribution of such periodical or transmission of such electronic communication is customarily conducted in accordance with sound business practice, and not due to any method or device adopted to evade this section or to prevent or delay the issuance of an injunction or restraining order with respect to such infringing matter or violating matter.

(D)(i)(I) A domain name registrar, a domain name registry, or other domain name registration authority that takes any action described under clause (ii) affecting a domain name shall not be liable for monetary relief or, except as provided in subclause (II), for injunctive relief, to any person for such action, regardless of whether the domain name is finally determined to infringe or dilute the mark.

(II) A domain name registrar, domain name registry, or other domain name registration authority described in subclause (I) may be subject to injunctive relief only if such registrar, registry, or other registration authority has—

(aa) not expeditiously deposited with a court, in which an action has been filed regarding the disposition of the domain name, documents sufficient for the court to establish the court's control and authority regarding the disposition of the registration and use of the domain name;

(bb) transferred, suspended, or otherwise modified the domain name during the pendency of the action, except upon order of the court; or

(cc) willfully failed to comply with any such court order.

(ii) An action referred to under clause (i)(I) is any action of refusing to register, removing from registration, transferring, temporarily disabling, or permanently canceling a domain name—

(I) in compliance with a court order under section 1125(d) of this title; or

(II) in the implementation of a reasonable policy by such registrar, registry, or authority prohibiting the registration of a domain name that is identical to, confusingly similar to, or dilutive of another's mark.

(iii) A domain name registrar, a domain name registry, or other domain name registration authority shall not be liable for damages under this section for the registration or maintenance of a domain name for another absent a showing of bad faith intent to profit from such registration or maintenance of the domain name.

(iv) If a registrar, registry, or other registration authority takes an action described under clause (ii) based on a knowing and material misrepresentation by any other person that a domain name is identical to, confusingly similar to, or dilutive of a mark, the person making the knowing and material misrepresentation shall be liable for any damages, including costs and attorney's fees, incurred by the domain name registrant as a result of such action. The court may also grant injunctive relief to the domain name registrant, including the reactivation of the domain name or the transfer of the domain name to the domain name registrant.

(v) A domain name registrant whose domain name has been suspended, disabled, or transferred under a policy described under clause (ii)(II) may, upon notice to the mark owner, file a civil action to establish that the registration or use of the domain name by such registrant is not unlawful under this chapter. The court may grant injunctive relief to the domain name registrant, including the reactivation of the domain name or transfer of the domain name to the domain name registrant.

(E) As used in this paragraph—

(i) the term "violator" means a person who violates section 1125(a) of this title; and

(ii) the term "violating matter" means matter that is the subject of a violation under section 1125(a) of this title.

* * * * *

§ 1115. Registration on principal register as evidence of exclusive right to use mark; defenses

(a) Evidentiary value; defenses

Any registration issued under the Act of March 3, 1881, or the Act of February 20, 1905, or of a mark registered on the principal register provided by this chapter and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude another person from proving any legal or equitable defense or defect, including those set forth in subsection (b) of this section, which might have been asserted if such mark had not been registered.

(b) Incontestability; defenses

To the extent that the right to use the registered mark has become incontestable under section 1065 of this title, the registration shall be conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce. Such conclusive evidence shall relate to the exclusive right to use the mark on or in connection with the goods or services specified in the affidavit filed under the provisions of section 1065 of this title, or in the renewal application filed under the provisions of section 1059 of this title if the goods or services specified in the renewal are fewer in number, subject to any conditions or limitations in the registration or in such affidavit or renewal application. Such conclusive

evidence of the right to use the registered mark shall be subject to proof of infringement as defined in section 1114 of this title, and shall be subject to the following defenses or defects:

(1) That the registration or the incontestable right to use the mark was obtained fraudulently; or

(2) That the mark has been abandoned by the registrant; or

(3) That the registered mark is being used by or with the permission of the registrant or a person in privity with the registrant, so as to misrepresent the source of the goods or services on or in connection with which the mark is used; or

(4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin; or

(5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to (A) the date of constructive use of the mark established pursuant to section 1057(c) of this title, (B) the registration of the mark under this chapter if the application for registration is filed before the effective date of the Trademark Law Revision Act of 1988, or (C) publication of the registered mark under subsection (c) of section 1062 of this title: *Provided, however,* That this defense or defect shall apply only for the area in which such continuous prior use is proved; or

(6) That the mark whose use is charged as an infringement was registered and used prior to the registration under this chapter or publication under subsection (c) of section 1062 of this title of the registered mark of the registrant, and not abandoned: *Provided, however,* That this defense or defect shall apply only for the area in which the mark was used prior to such registration or such publication of the registrant's mark; or

(7) That the mark has been or is being used to violate the antitrust laws of the United States; or

(8) That the mark is functional; or

(9) That equitable principles, including laches, estoppel, and acquiescence, are applicable.

* * * * *

§ 1127. Construction and definitions; intent of chapter

In the construction of this chapter, unless the contrary is plainly apparent from the context—

* * * * *

The term "trademark" includes any word, name, symbol, or device, or any combination thereof—

(1) used by a person, or

(2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter,

to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown. Titles, character names, and other distinctive featuers of radio or television programs may be registered as service marks notwithsanding that they, or the programs, may advertise the goods of the sponsor.

* * * * *

The intent of this chapter is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation; to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trademarks, trade names, and unfair competition entered into between the United States and foreign nations.

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In The

Supreme Court of the United States

KP PERMANENT MAKE-UP, INC.,
Petitioner,

v.

LASTING IMPRESSIONS I, INC.;
MCN INTERNATIONAL, INC.,
Respondents.

On Writ of Certiorari To The United States Court of Appeals for the Ninth Circuit

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AMICUS CURIAE BRIEF OF THE AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF REVERSAL

Rick D. Nydegger
President
American Intellectual
Property Law
Association
2001 Jefferson Davis Hwy.
Suite 203
Arlington, Virginia 22202
(703) 415-0780

Amicus Curiae

Michael P. Boudett
Counsel of Record
Denise W. DeFranco
William McGeveran
Foley Hoag LLP
155 Seaport Boulevard
Boston, Massachusetts
02210-2600
(617) 832-1000

Attorneys for Amicus Curiae

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AMICUS CURIAE BRIEF OF THE AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF REVERSAL

The American Intellectual Property Law Association ("AIPLA") respectfully submits this brief as *amicus curiae* in support of reversal.

INTEREST OF THE *AMICUS CURIAE*

The AIPLA is a national bar association of more than 15,000 members with interests and practices primarily in the areas of trademark, copyright, trade secret, patent, and other aspects of intellectual property law. Unlike areas of practice in which separate and distinct plaintiffs' and defendants' bars exist, most intellectual property law attorneys represent both intellectual property owners and alleged infringers.

The AIPLA has no interest in any party to this litigation or stake in the outcome in this case, other than its interest in seeking a correct interpretation of trademark law relating to the fair use defense.

In accordance with Supreme Court Rule 37.3(a), the AIPLA has obtained written consent to the filing of this brief from the counsel of record for both parties. The letters of consent have been filed with the Clerk of the Court.[1]

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[1] In accordance with Supreme Court Rule 37.6, *amicus curiae* states that this brief was not authored, in whole or in part, by counsel to any party, and that no monetary contribution to the preparation or submission of this brief was made by any person or entity other than the *amicus curiae* and its counsel.

SUMMARY OF THE ARGUMENT

The Ninth Circuit erroneously precludes a "fair use" defense under § 33(b)(4) of the Lanham Act in cases where there is any likelihood of confusion. The Court should reject this rule, which emasculates the fair use defense and upsets the longstanding balance between competing policy goals. Strong protection of trademarks undoubtedly advances important private and public interests. However, without an effective fair use defense, trademark holders could prevent competitors from using descriptive words and images to tell the public about goods and services. This would stifle competition and reduce the quality and quantity of consumer information.

Principles of statutory construction suggest that this absolute rule should be overturned. The Ninth Circuit's reading of the fair use defense is not supported by the statutory text. Further, such a reading renders the "fair use" defense in § 33(b)(4) of the Lanham Act nugatory. A narrower reading, however, avoids serious First Amendment issues presented by an ineffective fair use defense.

On the other hand, this Court should avoid establishing any countervailing absolute rule against considering likelihood of confusion, as petitioner proposes. Depending on the facts of a particular case, evidence pertinent to confusion may be relevant to the elements of fair use set forth in the statute: non-trademark use, descriptiveness, and fairness and good faith in using the words to describe goods or services. By overruling the Ninth Circuit's erroneous limitation of the defense, yet avoiding an absolute rule in the opposite direction, this Court can protect the balance embodied in the Lanham Act.

ARGUMENT

I. THE FAIR USE DEFENSE PROMOTES FAIR COMPETITION AND MAINTAINS THE LONGSTANDING POLICY BALANCE CODIFIED IN THE LANHAM ACT

A principal purpose of trademark law is to protect the capacity of a mark to identify the source of goods or services. *See* Lanham Act § 45, 15 U.S.C. § 1127 (defining marks on this basis). At the same time, however, the law prevents trademark holders from controlling the use of commonplace words and images in everyday discourse. This policy balance is deeply rooted in the history of trademark law.

Justice Holmes, sitting on the Massachusetts Supreme Judicial Court over 100 years ago, stressed the importance of balancing these divergent goals. *See Am. Waltham Watch Co. v. United States Watch Co.*, 53 N.E. 141, 141 (Mass. 1899) ("The two desiderata cannot be had to their full extent, and we must fix the boundaries as best we can."). This Court amplified the conclusion in 1924:

> A name which is merely descriptive of the ingredients, qualities, or characteristics of an article of trade cannot be appropriated as a trademark and the exclusive use of it afforded legal protection. The use of a similar name by another to truthfully describe his own product does not constitute a legal or moral wrong, even if its effect be to cause the public to mistake the origin or ownership of the product.

William R. Warner & Co. v. Eli Lilly & Co., 265 U.S. 526, 528 (1924).

Some twenty years after this decision, the Lanham Act codified safeguards against attempts to claim proprietary rights in descriptive language. For example, a term cannot be listed on the principal register as a mark if it is "merely descriptive," *see* Lanham Act § 2(e)(1), 15 U.S.C. § 1052(e)(1), and if a "registered mark becomes the generic name for the goods or services . . . for which it is registered" the registration can be cancelled, *id.* § 1064(3).

Despite these provisions, many ordinary English words gain trademark status. Some are descriptive marks which acquire secondary meaning identifying source. *See id.* § 1052(f). Others are "suggestive" marks, which bring attributes of the goods to mind, but only indirectly, such as GREYHOUND for a bus service. Still others are "arbitrary" marks – everyday words with no direct connection to the product being designated, such as APPLE for computers. *See generally Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9-11 (2d Cir. 1976) (providing classic hierarchy of marks eligible for protection).

Although a designation attains trademark status in all of these situations, the longstanding policy balance still requires a safety valve for competitors who use an ordinary word or image, as the *Warner* Court put it, to "truthfully describe [their] own product[s]." 265 U.S. at 528. The so-called "fair use" defense serves as such a safety valve. The fair use defense provides an affirmative defense for an allegedly infringing use "of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services" of the party invoking the defense, provided that the use is "otherwise than as a mark." Lanham Act § 33(b)(4), 15 U.S.C. § 1115(b)(4). The Seventh Circuit has distilled these overlapping statutory requirements into three elements: (1) non-trademark use; (2) descriptiveness; and (3) fairness and good faith. *See Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947, 951 (7th Cir. 1992).[2]

The Ninth Circuit reaches beyond these statutory requirements to impose another. In the case at bar, the appeals court held that petitioner "can only benefit from the fair use defense if there is no likelihood of confusion." *KP Permanent Make-Up, Inc. v. Lasting Impressions I, Inc.*, 328 F.3d 1061, 1072 (9th Cir. 2003). This holding aligns with other Ninth Circuit precedent. *See, e.g., Playboy Enters., Inc. v. Netscape Communications Corp.*, 354 F.3d 1020, 1029 (9th Cir. 2004) ("A fair use may not be a confusing use."); *Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1151 (9th Cir. 2002) (same); *Lindy Pen Co. v. Bic Pen Corp.*, 725 F.2d 1240, 1248 (9th Cir. 1984) (same).[3]

Not only is the Ninth Circuit's rule unsupported by a proper statutory construction, *see infra* Part II, it is contrary to longstanding trademark policy. This rule makes fair use much more difficult to plead and prove. The result is a weakened defense, which upsets the balance embodied in the Lanham Act. The Ninth Circuit's rule thwarts the fair competition goals at the heart of the Act itself.

Without a robust fair use defense, a trademark holder's competitors might not be able to describe their products and services – or at least not without the undue circumlocution necessary to avoid descriptive uses of words which have been used or registered as trademarks. Not only would this hamper that competitor in the marketplace, it would also constrain the flow of accurate product information to consumers, another important purpose of the Lanham Act. *See Scandia Down Corp. v. Goose Down, Inc.*, 772 F.2d 1423, 1429-30 (7th Cir. 1985) (discussing benefits of trademark law for consumers); S. Rep. No. 100-515, at 4 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5577, 5580 (noting, in context of Trademark Law Revision Act of 1988, importance of trademark law to consumers).

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[2] This provision is analytically distinct from the fair use provision of the Copyright Act, 17 U.S.C. § 107, which employs a different multi-factor test.

[3] The Ninth Circuit imposes this condition only on what it calls the "classic" fair use defense (where the accused infringer uses another party's trademark to describe its own goods). In "nominative" fair use cases (where the accused infringer uses the trademark to identify the trademark holder's goods), the Ninth Circuit employs an entirely different test. *See KP Permanent*, 328 F.3d at 1071-72; *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 307-08 (9th Cir. 1992). Nominative fair use is not involved in this case.

The universe of potential words that one could choose as a trademark to signify source is essentially infinite, encompassing the entire dictionary as well as proper names and coined fanciful terms such as "KODAK." The universe of words with the capacity to describe the attributes of a particular product is much smaller. The word must have meaning, and that meaning must apply to the product. Removing this more limited universe of words from commercial use impinges more significantly on open competition, with a negative ripple effect throughout the marketplace. The results include higher search costs for consumers – that is, greater difficulty for consumers to locate the goods and services they might wish to purchase. *See generally* William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J. LAW & ECON. 265, 287-95 (1987) (analyzing in economic terms the importance of maintaining competitors' access to descriptive terminology). Indeed, in today's economy, where the shopping process often begins online, the phrase "search costs" has literal import. If a business is unable to make fair use of descriptive terminology in its web site, then search

engines may omit the site or rank it lower when a consumer enters those descriptive words as search terms.[4]

A third anticompetitive result of weakening the fair use defense is the compliance cost imposed on firms. It is easier for a business to ensure it avoids infringement in the words or symbols it uses to identify the origin of its goods than to police all of its descriptions of its goods with the same rigor. In *United States Shoe Corp. v. Brown Group*, 740 F. Supp. 196 (S.D.N.Y. 1990), for example, the infringement accusation concerned a phrase buried in the text of a print advertisement stating that defendant's brand of women's shoe "feels like a sneaker." 740 F. Supp. at 197. Plaintiff's claim of infringement was based on its own prior use of the same phrase in its advertising campaigns. *See id.* The comparison to sneakers simply *described* what the shoe "feels like." The district court appropriately denied a preliminary injunction because it found the fair use defense applicable, although survey evidence suggested that the public might associate defendant's and plaintiff's advertisements with one another. *Id.* at 199-200. Under the Ninth Circuit's rule, however, marketers (and more likely their attorneys) would be bound to consider every sentence of the text in all their promotional materials and consider whether *any* likelihood of confusion about source arose from *any* of the language therein, no matter how obviously descriptive it might be.

Finally, the Ninth Circuit's rule contradicts an important basis for this Court's decision in *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189 (1985). That decision interpreted the Lanham Act to allow the holder of an "incontestable" mark to sue for trademark infringement, even if the mark in question could have been denied registration in the first instance – before it acquired secondary meaning – because it was merely descriptive. *Id.* at 196-97.[5] Critics of this interpretation worried that holders of incontestable marks could sue to prevent competitors from using them when truthfully describing their own goods. *See, e.g., id.* at 198-99 (describing respondent's argument); *id.* at 213-15 (Stevens, J., dissenting); *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 718 F.2d 327, 331 (9th Cir. 1983) (Kennedy, J.), *rev'd* 469 U.S. 189 (1985); Suman Naresh, *Incontestability and Rights in Descriptive Trademarks*, 53 U. CHI. L. REV. 953, 991-92 (1986). The Court's answer was straightforward: the drafters of the Lanham Act considered this objection, and addressed it with a number of provisions, in particular the § 33(b)(4) fair use defense. *See* 469 U.S. at 200-01. This response presupposes, however, that the fair use defense is in fact available whenever the three statutory requirements of § 33(b)(4) are satisfied. Under the Ninth Circuit's rule, this is not the case.

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[4] A web site's use of descriptive words as part of its content is not the same as a search engine "keying" competitors' advertisements to trademarks entered as search terms. *Cf. Playboy Enters.*, 354 F.3d at 1025-26.

The Ninth Circuit's additional requirement for the fair use defense threatens to disrupt the careful balance embodied in the Lanham Act between granting trademark protection for the source-identifying meaning of ordinary words, and preserving the descriptive meaning of those same words for appropriate use by all competitors in the marketplace. The better balance, and the one intended by the Lanham Act, shelters uses of language which serve a good-faith descriptive function alone – even where some likelihood of confusion might ensue.

II. THE NINTH CIRCUIT'S INTERPRETATION IS CONTRARY TO THE RULES OF STATUTORY CONSTRUCTION

A. Statutory Construction

Beginning the analysis with the statutory language itself, *see City of Chi. v. Envtl. Def. Fund*, 511 U.S. 328, 334-37 (1994); *Park 'N Fly*, 469 U.S. at 194, the text of the fair use provision does not support the Ninth Circuit's additional requirement that likelihood of confusion be absent. Congress devoted significant effort and attention to the exact scope and wording of § 33(b)(4). *See Park 'N Fly*, 469 U.S. at 198-99 (quoting statement of Rep. Lanham, 92 Cong. Rec. 7524 (1946)); 8 Jerome Gilson et al., TRADEMARK PROTECTION AND PRACTICE § 33 (2000) (excerpting extensive hearing testimony and legislative debate concerning phrasing and effect of fair use defense). The text specifies just three requirements: (1) non-trademark use; (2) descriptiveness; and (3) fairness and good faith. Under the statutory construction canon of *expressio unius*, there is no basis for grafting additional requirements onto those plain terms.

More fundamentally, the Ninth Circuit's holding effectively reads § 33(b)(4) out of the Lanham Act. Section 32 of the Act requires a trademark holder to demonstrate that the allegedly infringing use of its marks is "likely to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. § 1114(1)(a). Failure to prove likelihood of confusion results in no liability and a judgment for the accused infringer. *See, e.g., Am. Online, Inc. v. AT&T Corp.*, 243 F.3d 812, 819 (4th Cir. 2001). Thus, where likelihood of confusion is absent, a defendant will always prevail because the plaintiff has failed to make out a *prima facie* case of liability.

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[5] In general, a mark may become "incontestable" if its holder certifies that it has been federally registered and remained in continuous use for five years, it is still in commercial use, there is no adverse judgment against its validity, and there is no pending proceeding against it. *See* Lanham Act § 15, 15 U.S.C. § 1065. Although an incontestable mark is immunized from certain challenges, it remains subject to others, including the fair use defense. *Id.* § 1115(b).

Manifestly, then, to hold that the affirmative defense set forth in § 33(b)(4) applies only where likelihood of confusion is absent (as the Ninth Circuit does) is to state that the defense applies only when there is no claim in the first place. The defense is rendered entirely superfluous. This result contravenes the cardinal principle that a statute should not be interpreted in a way which renders any of its provisions nugatory. *See United States v. Alaska*, 521 U.S. 1, 59 (1997). As the Fourth Circuit has correctly noted, "A defense which can be considered only when the *prima facie* case has failed is no defense at all." *Shakespeare Co. v. Silstar Corp. of Am., Inc.*, 110 F.3d 234, 243 (4th Cir. 1997), *cert. denied*, 522 U.S. 1046 (1998).

Put differently, the Ninth Circuit's rule has an unfair burden-shifting effect. By requiring a party raising the affirmative defense of fair use to negate a necessary element of the plaintiff's case, the Ninth Circuit's rule effectively forces the accused infringer to assume the trademark holder's burden. This shift has practical as well as analytical importance. The issue of likelihood of confusion is complex and fact-intensive. It involves a multi-factor test and it often turns on evidence that is expensive and time-consuming to procure, such as a consumer survey. Some circuits, including the Ninth Circuit, consider summary judgment a disfavored method for adjudicating likelihood of confusion. *See Clicks Billiards, Inc. v. Sixshooters, Inc.*, 251 F.3d 1252, 1265 (9th Cir. 2001). Thus, under the Ninth Circuit rule, a party raising the fair use defense faces substantial costs and delay, and probably cannot secure an early disposition of the case against it.

All in all, mounting the fair use defense in the Ninth Circuit has become much more onerous than Congress intended. A proper construction of the Lanham Act makes clear that the defense applies whenever the three statutory requirements are satisfied. Imposing an additional burden is error.

B. Avoidance of Potential First Amendment Issues

The Ninth Circuit's interpretation of the fair use defense creates a serious potential First Amendment issue. Under another well-known canon of statutory construction, courts avoid interpretations which require unnecessary constitutional holdings.[6]

When a business describes its goods or services in advertising directed toward potential customers, it is engaging in constitutionally protected speech. Most trademark infringement cases do not turn on free speech issues because the prevention of consumer confusion typically outweighs such concerns. *See* Alex Kozinski, *Trademarks Unplugged*, 68 N.Y.U. L. REV. 960, 973 (1993). Where a non-trademark use of a descriptive term is involved, however, the scope of the fair use defense directly affects "the right of society at large to use words or images in their primary descriptive sense." *Car-Freshener Corp. v. S.C. Johnson & Son*, 70 F.3d 267, 269 (2d Cir. 1995).

If the fair use defense is not reasonably available, then the law might allow trademark holders to prevent good-faith descriptive use of ordinary English-language words that happen to be trademarks. The Ninth Circuit rule, by constraining the fair use defense, potentially would violate First Amendment principles concerning commercial speech restrictions. *See Bd. of Trs. v. Fox*, 492 U.S. 469, 476-79 (1989) (requiring "reasonable fit" for commercial speech restrictions); *Cent. Hudson Gas Co. v. Pub. Serv. Comm'n*, 447 U.S. 557, 564-66 (1980) (establishing constitutional test for commercial speech restrictions).

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[6] *See, e.g.*, *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 123 S. Ct. 2041, 2049 (2003) (avoiding interpretation of Lanham Act that might suggest Congress had unconstitutionally "created a species of perpetual patent and copyright"); *Lowe v. Sec. & Exch. Comm'n*, 472 U.S. 181, 204-05 & n.50 (1985) (interpreting provision of Investment Advisors Act so as to avoid potential conflict with commercial speech protection).

The seriousness of this constitutional question must be judged against the backdrop of increasing protection for commercial speech interests in recent decisions of this Court. *See, e.g., Thompson v. W. States Med. Ctr.*, 535 U.S. 357, 368-77 (2002); *Lorillard Tobacco Co. v. Reilly*, 533 U.S. 525, 561-66 (2001). Trademark fair use implicates both types of interests at stake: those of businesses engaging in constitutionally protected speech directed toward potential customers, *see Edenfield v. Fane*, 507 U.S. 761, 767 (1993), and the mirror-image interests of consumers in receiving truthful commercial information, *see Va. Bd. of Pharmacy v. Va. Citizens Consumer Council*, 425 U.S. 748, 763 (1976).

The potential constitutional problem is also exacerbated because trademark rights have the potential to last forever. Once established, a trademark expires only if it goes unused for a period of time or becomes a generic name for goods so that it loses its function as a source identifier. *See* Lanham Act § 45, 15 U.S.C. § 1127 (defining "abandonment"); *see also id.* § 1064(3) (providing for cancellation of mark which becomes generic). In contrast, the Constitution requires that copyrights and patents last only "for limited times." U.S. CONST. Art. I, § 8, cl. 8; *Eldred v. Ashcroft*, 537 U.S. 186, 209-10 (2003). If the fair use defense is too constricted, a party with trademark rights in an ordinary word would effectively establish a *perpetual* monopoly over descriptive words.

Finally, the constitutional concern is especially pointed here because, according to the district court's findings, one party used the disputed language in its descriptive sense *before* the other party either used it or registered it as a mark. *See KP Permanent Make-Up, Inc. v. Lasting Impressions I, Inc.*, No. 00-276, slip op. at 8-9 (C.D. Cal. May 16, 2001). In this scenario, the trademark holder arguably has reached out to preclude others from using language which already had proven meaning and utility in the marketplace.

These First Amendment concerns are serious, but this Court need not address them in the present case. Instead, this Court should adhere to the traditional presumption that Congress intends its statutes to be consistent with the Constitution. *See Edward J. DeBartolo Corp. v. Fla. Gulf Coast Bldg. & Constr. Trades Council*, 485 U.S. 568, 575 (1988). By overruling the Ninth Circuit's interpretation of the fair use defense on the basis of its erroneous statutory construction and its inconsistency with the Lanham Act's policy balance, this Court would avoid deciding a serious constitutional question which might otherwise be presented.[7]

III. LIKELIHOOD OF CONFUSION MAY BE RELEVANT TO THE AVAILABILITY OF THE FAIR USE DEFENSE

While the Ninth Circuit's inflexible position is erroneous, the Court should eschew any broad pronouncement suggesting that likelihood of confusion is *never* relevant to the applicability of the fair use defense.

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[7] Consistent with this principle, when circuit courts have been presented with First Amendment arguments in cases involving the fair use defense, they have based their holdings instead on narrower statutory grounds. *See New Kids*, 971 F.2d at 305; *M.B.H. Enters., Inc. v. WOKY, Inc.*, 633 F.2d 50, 56 (7th Cir. 1980).

Considerations related to the potential for customer confusion may – depending on the facts of a case – be an important factor in evaluating the three-part test set forth in § 33(b)(4).

Most circuits have adopted fairly complex multiple-factor tests for evaluating likelihood of confusion, with only slight variations between them. In the case at bar, the appeals court ruled that the Ninth Circuit's full eight-factor test must be applied to determine the absence of likelihood of confusion as a necessary precondition to the fair use defense. *See KP Permanent*, 328 F.3d at 1073 (citing *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979)).[8]

Certain factors tend to be important throughout the various circuits' likelihood of confusion tests, particularly the similarity of the marks, any evidence of actual confusion, and the defendant's intent. *See Packman v. Chi. Tribune Co.*, 267 F.3d 628, 643 (7th Cir. 2001). By comparison, as noted above, the standard laid out in § 33(b)(4) for the fair use defense requires non-trademark use, descriptiveness, and fairness and good faith. In some cases, but not all, the underlying facts will cause these inquiries to overlap.

Intent to avoid customer confusion, for example – one of the eight factors relevant to likelihood of confusion – might bear on the fairness and good faith requirement for fair use as well. In *Zatarain's Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786 (5th Cir. 1983), for instance, plaintiff sold a batter mix for frying fish under the trademark "FISH-FRI." Defendants, its competitors, sold similar batter mixes and referred to them descriptively as "fish fry," but used dramatically different trade dress. *Id.* at 788. Evidence indicated that defendants had done this consciously as an effort to avoid confusion, supporting the finding of good faith necessary for a fair use defense. *Id.* at 796.[9] Like distinctive trade dress, the prominent use of defendant's own marks in conjunction with a descriptive use also diminishes potential confusion and bolsters the argument for good faith. *See Cosmetically Sealed Indus., Inc. v. Chesebrough-Pond's USA Co.*, 125 F.3d 28, 30-31 (2d Cir. 1997); *M.B.H. Enters., Inc. v. WOKY, Inc.*, 633 F.2d 50, 54-56 (7th Cir. 1980).[10]

The same holds for the analysis of whether the defendant's use is descriptive alone rather than a source-identifying "as a mark." Evidence that consumers actually associate the purported fair use with the mark holder's products, for example, would tend to support both the likelihood of confusion *and* an inference that defendant's use is source-identifying. Likewise, the prominence and frequency of the use may bear on both inquiries. In a case involving the slogan "Gatorade is Thirst Aid," for example, the Seventh Circuit determined that constant and prominent repetition of plaintiff's mark "Thirst Aid" throughout Gatorade's substantial advertising effectively indicated source and was therefore ineligible for protection as a fair use. *Sands, Taylor & Wood*, 978 F.2d at 953-54; *see also WCVB-TV v. Boston Athletic Assn.*, 926 F.2d 42, 46 (1st Cir. 1991) (Breyer, J.) (noting that attention-getting symbol may suggest a supposedly descriptive use in fact signifies origin).

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[8] The factors in the Ninth Circuit, similar to those in other circuits, are: (1) strength of the mark; (2) proximity of the goods; (3) similarity of the marks; (4) evidence of actual confusion; (5) marketing channels used; (6) type of goods and the degree of care likely to be exercised by the purchaser; (7) defendant's intent in selecting the mark; and (8) likelihood of expansion of the product lines. *Sleekcraft*, 599 F.2d at 348-49.

[9] Respondent has argued, based on dicta in *Zatarain's*, 698 F.2d at 791, 796, that the Fifth Circuit views any likelihood of confusion as a bar to the fair use defense, much as the Ninth Circuit does. *See* Opposition to Certiorari at 7-8. Other Fifth Circuit cases, however, clearly state the opposite. *See Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 547 n.12 (5th Cir. 1998) ("a fair use of a term may be protected even if a likelihood of confusion exists."); *Soweco, Inc. v. Shell Oil Co.*, 617 F.2d 1178, 1189 n.30 (5th Cir. 1980) ("[E]ven if there were a likelihood of confusion, the defendant would still be entitled to its fair-use defense, so long as it had met the requirements of § 1115(b)(4)."). *Zatarain's* is better understood as using the lack of likelihood of confusion as an indication of good faith and non-trademark use.

[10] Of course, the good faith issue may turn instead on evidence that has no connection to consumer confusion. *See, e.g., Shakespeare*, 110 F.3d at 243 (affirming district court finding that defendant used characteristic feature of fishing rods for functional reasons and not to appropriate plaintiff's goodwill); *Inst. for Scientific Info., Inc. v. Gordon & Breach Sci. Publishers, Inc.*, 931 F.2d 1001, 1009 (3d Cir. 1991) (finding factual questions about defendant's violation of prior agreement suggested possible lack of good faith that would defeat fair use defense).

When litigating the fair use defense, either party may find it advantageous to proffer evidence that is related to likelihood of confusion, but neither should have any absolute burden to do so in order to prevail on fair use. Either side might offer, for example, customer surveys or evidence about the degree of actual confusion. Great similarity between the supposedly descriptive use and the trademark might suggest an effort to signify origin or affiliation. Evidence of intentional copying or other skullduggery may tend to show bad faith. All such evidence is the sort also used in likelihood of confusion analyses for purposes of determining infringement, as to which plaintiff bears the burden.

The end result is that a substantial likelihood of consumer confusion about the source of the goods in question may undermine the statutory elements of a fair use defense. There may also be situations where "some residual confusion is likely" but the defense is still allowed based on the totality of the relevant evidence. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 28 cmt. b (1993); *see, e.g.*, *Cosmetically Sealed*, 125 F.3d at 31 (allowing fair use defense despite "some degree of association in the public's mind between the defendant's [descriptive] phrase and the [plaintiff's] product"); *United States Shoe*, 740 F. Supp. at 200 (considering evidence of fair use alongside survey evidence by plaintiff purporting to show confusion, and finding fair use). As the *Warner* Court stated eighty years ago, the law allows one to "truthfully describe" a product even if consumer confusion results. 265 U.S. at 528.

The case at bar illustrates how the above principles might be applied to particular facts. Two uses of the term "microcolors" are alleged to infringe on the trademark held by Lasting Impressions. One of them is KP Permanent's use of the word "microcolor" on its bottles of ink. The district court cited concessions made by Lasting Impressions that this was a descriptive, non-trademark use. The court then found as fact that this was a prior and continuous use, and held that this fact demonstrated KP Permanent's good faith because there was no intent to misappropriate its competitor's good will. *KP Permanent*, No. 00-276, slip op. at 8-9; *see Sunmark, Inc. v. Ocean Spray Cranberries, Inc.*, 64 F.3d 1055, 1058 (7th Cir. 1995) (deferring on appeal to such factual determinations). On these facts, the district court could be found to have appropriately adjudicated fair use, even though it did not delve at all into any questions directly related to likelihood of confusion.

On the other hand, the district court appears not to have rendered a separate decision concerning the other alleged infringement, a graphic label for a color chart in KP Permanent's brochures.[11] After examining the record, this

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[11] The graphic displays the word "microcolor" in stylized fashion and somewhat prominently. Arguably, this was an attention-getting symbol – and a possible trademark use – about which Lasting Impressions made no concessions. This use also appears to have commenced after Lasting Impressions registered its "microcolors" trademark. *See KP Permanent*, No. 00-276, slip op. at 8-9.

Court may decide to remand the case for the factual findings necessary to apply fair use considerations to it. If so, the district court might well evaluate evidence on remand about consumers' reaction to and understanding of the graphic's function as an identifier of source, facts also relevant to a likelihood of confusion analysis. It should not be KP Permanent's burden, however, to demonstrate a total lack of likelihood of confusion under the circuit's eight-factor test.

In sum, evidence related to likelihood of confusion may or may not be pertinent to the statutory fair use factors. It is therefore inappropriate either to say that a full analysis of likelihood of confusion under the traditional factors must be completed before consideration of the fair use defense, or that likelihood of confusion has no bearing on fair use. This Court should reject both the Ninth Circuit's absolute rule and the petitioner's invitation to impose the opposite rule. This course of action best preserves the balance of trademark goals embodied in the text of the Lanham Act.

CONCLUSION

For the foregoing reasons, the AIPLA urges the Court to issue a narrow decision which reverses the Ninth Circuit's decision only insofar as it requires a proven absence of likelihood of confusion before a fair use defense under § 33(b)(4) of the Lanham Act may apply.

Respectfully submitted,

Michael P. Boudett
Counsel of Record
Denise W. DeFranco
William McGeveran
Foley Hoag LLP
155 Seaport Boulevard
Boston, Massachusetts
02210-2600
(617) 832-1000
Attorneys for Amicus Curiae

Rick D. Nydegger
President
American Intellectual Property
Law Association
2001 Jefferson Davis Hwy
Suite 203
Arlington, Virginia 22202
(703) 415-0780
Amicus Curiae

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IN THE

Supreme Court of the United States

KP PERMANENT MAKE-UP, INC.,

Petitioner,

v.

LASTING IMPRESSION INC.
AND MCN INTERNATIONAL I, INC.,

Respondents.

On Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

BRIEF OF AMICUS CURIAE THE INTERNATIONAL TRADEMARK ASSOCIATION IN SUPPORT OF PETITIONER

WILLIAM D. RAMAN*
THEODORE H. DAVIS, JR.
SHERRI L. EASTLEY
OLIVIA MARIA BARATTA
1133 Avenue of the Americas
New York, New York 10036-6710
(212) 768-9887

Counsel for Amicus Curiae The International Trademark Association

**Counsel of Record*

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IN THE
SUPREME COURT OF THE UNITED STATES

No. 03-409

KP Permanent Make-Up, Inc.,

Petitioner,

—v.—

Lasting Impression Inc. and MCN International I Inc.,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES
COURT OF APPEALS FOR THE NINTH CIRCUIT

BRIEF OF AMICUS CURIAE THE INTERNATIONAL TRADEMARK ASSOCIATION IN SUPPORT OF PETITIONER

INTRODUCTION

The International Trademark Association ("INTA"),[1] having obtained written consent of the parties pursuant to

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[1] This brief was not authored, in whole or in part, by counsel to a party, and no monetary contribution to the preparation or submission of this brief was made by any person or entity other than the amicus curiae and its counsel. Neither petitioner nor respondent is a member of, or otherwise affiliated with, amicus curiae.

Rule 37.3 of the Rules of this Court,[2] submits this brief as amicus curiae. INTA believes that the Court of Appeals erred in holding both that a full likelihood of confusion analysis is required to evaluate the "fair use" defense and that a defendant invoking the defense bears the burden of demonstrating that confusion is unlikely. But, although it is inappropriate to import the full likelihood of confusion analysis into the fair use defense, certain evidence traditionally considered in that analysis will often be relevant to the inquiry into whether a junior use actually satisfies the defense's requirements.

Beyond the Court of Appeals' general description, INTA is not familiar with the details of the parties' respective uses or products, nor with the evidence on which the District Court and Court of Appeals relied. It thus does not take a position on the merits of which of the parties enjoys priority of rights, whether the respondents' mark is descriptive, whether the petitioner's use qualifies as fair, or whether a likelihood of confusion exists.

I. STATEMENT OF INTEREST OF THE AMICUS CURIAE

INTA is a not-for-profit organization whose more than 4,300 members have a special interest in trademarks. They include trademark owners, law firms, advertising agencies, package design firms, and professional associations from the United States and 170 other countries. All share the goals of emphasizing the importance of trademarks and trademark protection, and of promoting an understanding of the essential role trademarks play in fostering informed decisions by consumers, effective commerce, and fair competition. INTA members frequently are participants in trademark litigation, and therefore are interested in the development of clear and consistent principles of trademark and unfair competition law. INTA has substantial expertise in trademark law and has selectively participated as an amicus curiae in cases involving significant trademark issues.[3]

INTA was founded in 1878 as the United States Trademark Association, in part to encourage the enactment of federal trademark legislation after the invalidation on constitutional grounds of this country's first trademark act. Since that time, INTA has been instrumental in making recommendations and providing assistance to legislators in connection with federal trademark legislation, including the Trademark Law Revision Act of 1988 ("TLRA"). *See* 134 Cong. Rec. S16974 (daily ed. Oct. 20, 1988) (statement of Sen. DeConcini). Although many of its legislative initiatives have been aimed at strengthening trademark protection, INTA also has encouraged the enactment of statutory revisions to restrict overreaching trademark claims. *See* Trademark Amendments Act of 1999, § 5, Pub. L. No. 106-43, 113 Stat. 218, 220 (1999); Trademark Law Treaty Implementation Act, § 201(1)(2)-(5), Pub. L. No. 105-330, 112 Stat. 3064, 3069-70 (1998). This includes INTA's support of an amendment with a direct bearing on the outcome of this litigation. *See* TLRA, § 30(1), Pub. L. No. 100-667, 102 Stat. 3935, 3944-45 (1988).

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[2] The consents have been filed with the Clerk with this brief.

[3] Cases in which INTA has filed amicus briefs include: *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003); *Moseley v. V. Secret Catalogue, Inc.*, 537 U.S. 418 (2003); *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001); *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205 (2000); *Fla. Prepaid Postsecondary Educ. Expense Bd. v. College Sav. Bank*, 527 U.S. 627 (1999); *Dickinson v. Zurko*, 527 U.S. 150 (1999); *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159 (1995); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992); *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988); *WarnerVision Entm't Inc. v. Empire of Carolina, Inc.*, 101 F.3d 259 (2d Cir. 1996); *Preferred Risk Mut. Ins. Co. v. United States*, 86 F.3d 789 (8th Cir. 1996); *Conopco, Inc. v. May Dep't Stores Co.*, 46 F.3d 1556 (Fed. Cir. 1994); *Ralston Purina Co. v. On-Cor Frozen Foods, Inc.*, 746 F.2d 801 (Fed. Cir. 1984); *Anti-Monopoly, Inc. v. Gen. Mills Fun Group*, 684 F.2d 1316 (9th Cir. 1982), *cert. denied*, 459 U.S. 1227 (1983); *In re Borden, Inc.*, 92 F.T.C. 669 (1978), *aff'd sub nom. Borden, Inc. v. Fed. Trade Comm'n*, 674 F.2d 498 (6th Cir. 1982), *vacated and remanded*, 461 U.S. 940 (1983); *Redd v. Shell Oil Co.*, 524 F.2d 1054 (10th Cir. 1975), 425 U.S. 912 (1976); *Century 21 Real Estate Corp. v. Nev. Real Estate Advisory Comm'n*, 448 F. Supp. 1237 (D. Nev. 1978), *aff'd*, 440 U.S. 941 (1979).

II. SUMMARY OF ARGUMENT

The "fair use" defense codified in section 33(b)(4) of the Lanham Act, 15 U.S.C. § 1115(b)(4) (2000), embodies a fundamental principle of trademark law, which is to protect consumers' access to accurate information in the marketplace, especially information describing characteristics of the goods and services being offered for sale. To that end, both the common law and the Lanham Act require plaintiffs seeking trademark protection for descriptive words as their trademarks to demonstrate that the words have acquired a "secondary meaning" apart from their primary one. Once a descriptive term has achieved secondary meaning, it is fully protectable against the use by another of the term as a mark for the other's goods. At the same time, both the common law and the Lanham Act seek to ensure that the public can still use descriptive terms fairly in their original descriptive sense. Thus, the fair use defense provides that there is no liability if the allegedly infringing use is other than as a mark, and made fairly and in good faith only to describe the individual name of the defendant or to describe its goods or services or their geographic origin.

That a mark and registration may have obtained "incontestable" status does not change this analysis. This Court has previously recognized that incontestability may excuse a federal registrant from carrying what otherwise would be its burden to prove the secondary meaning of its mark. Nevertheless, this statutory burden-shifting does not extend to the test for liability itself—in this case, the likelihood of confusion standard codified by sections 32 and 43(a) of the Lanham Act. *See* 15 U.S.C. §§ 1114, 1125(a) (2000). Rather, section 33(b)(4) requires only that the challenged use be (1) one other than as a trademark, (2) fair and in good faith, and (3) only to describe the defendant's goods and services. Likelihood of confusion is not referenced by the statute, and a defendant asserting the fair use defense need not prove the absence of likely confusion if the three statutory prerequisites for the defense are met.

In this case, the Court of Appeals erred by importing the likelihood of confusion test into section 33(b)(4) and by requiring petitioner to establish the absence of likely confusion. That error, however, should not obscure the relevance to the fair use inquiry of certain types of evidence that also are relevant to the issue of likely confusion. For example, a defendant's clear intent to trade on the goodwill of a plaintiff's mark obviously would weigh against a finding that the defendant's use is in good faith. Likewise, actual confusion in the marketplace may be probative evidence as to whether the defendant has used the descriptive term as a trademark. Consequently, INTA urges the Court not to adopt a reading of section 33(b)(4) that would eliminate consideration of evidence relevant to likelihood of confusion if that evidence is also germane to the fair use defense.[4]

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[4] Although the statutory fair use defense, 15 U.S.C. § 1115(b)(4) (2000), encompasses personal names and geographic designations in addition to geographically descrip-

III. ARGUMENT

A. Fundamental Public Interests Compete When Trademark Law is Applied to Descriptive Terms

Trademark law provides a legal framework governing the communication from providers of goods and services to the consuming public of information relating to the source and nature of those goods and services. Fundamental to this framework is the premise that words, language, and features that are descriptive of the characteristics or qualities of goods or services remain in the public domain for use by all to describe or denote those characteristics or qualities. Equally fundamental is the premise that a merchant may not mark its goods or services with a name or feature that is likely to cause confusion with the goods or services of another having superior rights to that name or feature. An inherent conflict arises between these two premises when a substantial portion of the consuming public comes to associate a descriptive term or feature with a single source. The issue then becomes how to reconcile the public interest in maintaining descriptive terms and features in the public domain for use by all in their descriptive sense with the public interest in minimizing or avoiding relevant consumer confusion. As discussed in greater detail below, the fair use defense represents a common-law and statutory compromise of these competing interests that tolerates a likelihood of confusion, under limited circumstances, in favor of the public's interest in having access to descriptive terms.

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tive terms and merely descriptive terms, geographic designations and personal names are not at issue in this case. This brief therefore addresses only the use of merely descriptive terms, and INTA takes no position relating to the proper construction of the fair use defense with regard to personal names or geographic designations.

1. Descriptive Terms And Features Ordinarily Are In The Public Domain For Use By All In Their Primary Descriptive Sense

The rule developed long ago at common law that terms that are descriptive of the qualities, ingredients, or characteristics of a product cannot be appropriated by any one person to the exclusion of all others:

> It was settled long prior to the Trade-Mark Registration Act [of 1905] that the law would not secure to any person the exclusive use of a trade-mark consisting merely of words descriptive of the qualities, ingredients or characteristics of an article of trade. This for the reason that the function of a trade-mark is to point distinctively, either by its own meaning or by association, to the origin or ownership of the wares to which it is applied, and words merely descriptive of qualities, ingredients or characteristics, when used alone, do not do this. Other like goods, equal to them in all respects, may be manufactured or dealt in by others, who, with equal truth, may use, and must be left free to use, the same language of description in placing their goods before the public.

Estate of P. D. Beckwith, Inc. v. Comm'r of Patents, 252 U.S. 538, 543-44 (1920); *see also William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526, 528 (1924); *Standard Paint Co. v. Trinidad Asphalt Mfg. Co.*, 220 U.S. 446, 454 (1911); *Del. & Hudson Canal Co. v. Clark*, 80 U.S. (13 Wall) 311, 323 (1872).

This rule is necessary to promote competition by enabling merchants access to terms that describe the nature, qualities, ingredients, or characteristics of the goods or services they offer. As this Court explained long ago:

> No one can claim protection for the exclusive use of a trade-mark or trade-name which would practically give him a monopoly in the sale of any goods other than those produced or made by himself. If he could, the public would be injured rather than protected, for competition would be destroyed. Nor can a generic name, or a name merely descriptive of an article of trade, of its qualities, ingredients, or characteristics, be employed as a trade-mark and the exclusive use of it be entitled to legal protection.

Del. & Hudson Canal Co., 80 U.S. (13 Wall) at 323. As a fundamental premise, therefore, trademark law strives to keep descriptive terms in the public domain for use by everyone to *describe* their goods and services.

2. To Prevent Commercial Fraud And Consumer Confusion, However, Trademark Protection Is Afforded To Descriptive Terms That Have Acquired A "Secondary Meaning" Of Designating A Single Source

Notwithstanding the basic presumption that descriptive terms should be free for all to use to *describe* their goods and services, a descriptive term may function as a mark and be protected as a mark when the descriptive term, through extensive use and promotion (as a mark), acquires a meaning among a significant portion of the relevant consuming public that designates the particular merchant as the source for the goods or services offered under the term. *Armstrong Paint & Varnish Works v. Nu-Enamel Corp.*, 305 U.S. 315 (1938); *see also Kellogg Co. v. Nat'l Biscuit Co.*, 305 U.S. 111, 113 (1938); 15 U.S.C. § 1052(f) (2000). At common law, such a mark is said to have achieved a "secondary meaning." That is, the primary significance of the descriptive term in the minds of the consuming public is no longer its original, descriptive meaning, but rather is a secondary, source-identifying meaning. *Kellogg*, 305 U.S. at 113. Under section 2(f) of the Lanham Act, a mark with secondary meaning is said to have "acquired distinctiveness." *See* 15 U.S.C. § 1052(f).

If a plaintiff's mark is not covered by a federal trademark registration, the plaintiff bears the burden of proving that the mark is distinctive, and therefore protectable. *See, e.g., Nat'l Conf. of Bar Examiners v. Multistate Legal Studies, Inc.*, 692 F.2d 478, 488 (7th Cir. 1982). A federal registration less than five years old, however, is *prima facie* evidence of the mark's distinctiveness, which shifts the burden of proving an absence of distinctiveness to the defendant. *See* 15 U.S.C. §§ 1057(b), 1115(a); *see also Keebler Co. v. Rovira Biscuit Corp.*, 624 F.2d 366, 373 (1st Cir. 1980). Provided that the registrant complies with certain formalities, the registration may become "incontestable" after its fifth anniversary, at which point it constitutes "conclusive" proof of the underlying mark's validity under section 33(b) of the Lanham Act. *See* 15 U.S.C. § 1115(b). As this Court previously has recognized, this burden shifting precludes a defendant from arguing that the plaintiff's mark is merely descriptive and without distinctiveness. *See Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 205 (1985).

Whatever the means by which a descriptive term acquires sufficient secondary meaning that it functions as a mark for the first merchant, to allow a second merchant to use the term as its own mark (to identify and distinguish, rather than describe its similar or related goods or services) would foster the potential for a fraud on the consuming public. Accordingly, if the use by the second merchant of the term *as a mark* causes a likelihood of confusion, trademark infringement arises both under the common law, *see Lawrence Mfg. Co. v. Tenn. Mfg. Co.*, 138 U.S. 537, 546 (1891), and under the two federal statutory causes of action asserted by the respondents in this action. *See* 15 U.S.C. §§ 1114, 1125(a) (2000). Because the second merchant could use any one of a myriad of other terms *as its trademark*, including arbitrary, fanciful, or suggestive terms, the public interest in preventing confusion overrides the public interest in allowing use of descriptive terms, at least with regard to use of the descriptive terms as marks.

The more difficult situation arises when the second merchant uses the descriptive term to describe its goods or services, rather than as a source-identifying designation for its goods or services. If confusion results, this scenario creates the classic conflict between the public interest in preserving a right to describe and the public interest in avoiding consumer confusion. The fair use defense was developed at common law and codified in the Lanham Act to address these competing public interests.

B. The Fair Use Defense Reconciles The Competing Interests That Arise Under Trademark Law With Regard To Use Of Descriptive Terms

The fair use defense, developed at common law through the decisions of this Court and other courts, sanctions use of descriptive terms to describe and denote one's products. As codified in section 33(b)(4) of the Lanham Act, 15 U.S.C. § 1115(b)(4), the defense has three basic requirements: (1) that the use be other than as a mark, (2) fair and in good faith, and (3) only to describe a defendant's goods and services. As under the common law, likelihood of confusion is not an issue, and a defendant asserting the fair use defense need not prove its absence if the three statutory prerequisites are met.

1. This Court Has Long Recognized A Defense Permitting The Non-Trademark And Descriptive Use Of Descriptive Terms Regardless Of Whether Confusion Exists

Three decisions of this Court firmly establish the fair use defense under common law. *See William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526 (1924); *Standard Paint Co. v. Trinidad Asphalt Mfg. Co.*, 220 U.S. 446 (1911); *Del. & Hudson Canal Co. v. Clark*, 80 U.S. (13 Wall) 311 (1871). In *Delaware & Hudson Canal Co.*, the plaintiffs were producers of coal from the Lackawanna Valley, and had adopted the name "Lackawanna Coal" as a trademark for their coal. The plaintiffs sought to preclude the defendant's use of "Lackawanna Coal" to describe its own coal, which also was mined and produced in the Lackawanna Valley. *See* 80 U.S. (13 Wall) at 320-22.

In affirming the denial of the plaintiffs' claim, this Court noted that as a general rule, no one can claim exclusive rights to merely descriptive terms, *id.* at 323, and that the defendant's good faith use of "Lackawanna Coal" *as* a descriptive term therefore did not constitute an attempt to deceive the public:

> It cannot be said that there is any attempt to deceive the public when one sells as Kentucky Hemp, or as Lehigh coal, that which in truth is such, or that there is any attempt to appropriate the enterprise or business reputation of another who may have previously sold his goods with the same description. It is not selling one man's goods as and for those of another.

Id. at 324-25. The Court thereby enunciated the basic premise that no actionable wrong occurs when a defendant uses descriptive terms fairly and only to describe the goods or services associated with the terms.

The Court then made clear that so long as there is no wrongful intent and so long as the words are used only to describe, the use is proper even if confusion is likely or actually occurs:

> It is only when the adoption or imitation of what is claimed to be a trade-mark amounts to a false representation, express or implied, designed or incidental, that there is any title to relief against it. True it may be that the use by a second producer, in describing truthfully his product, of a name or a combination of words already in use by another, may have the effect of causing the public to mistake as to the origin or ownership of the product, but if it is just as true in its application to its goods as it is to those of another who first applied it, and who therefore claims an exclusive right to use it, there is no legal or moral wrong done. Purchasers may be mistaken, but they are not deceived by false representations, and equity will not enjoin against telling the truth.
>
> ....
>
> We are therefore of the opinion that the defendant has invaded no right to which the plaintiffs can maintain a claim. By advertising and selling coal brought from the Lackawanna Valley as Lackawanna coal, he has made no false representation, and we see no evidence that he has attempted to sell his coal as and for the coal of the plaintiffs. If the public are led into mistake, it is by the truth, not by any false pretense. If the complainants' sales are diminished, it is because they are not the only producers of Lackawanna coal, and not because of any fraud of the defendant.

Id. at 327-28. This Court therefore made clear that a defense existed at common law to a claim of trademark infringement – a claim of likelihood of confusion – so long as the accused use was fair, in good faith, and only to describe the goods or services at issue.

This Court reiterated this holding forty years later in *Standard Paint*, in which the plaintiff manufactured a roofing material that it sold under the mark "Rubberoid." The defendant manufactured a similar material for which it used the name "Rubbero." In affirming the denial of relief, this Court noted that "the essence of the wrong for the violation of a trade-mark 'consists in the sale of the goods of one manufacturer or vendor as those of another; and that it is only when this false representation is directly or indirectly made that the party who appeals to a court of equity can have relief.'" 220 U.S. at 453-54 (quoting *Del. & Hudson Canal Co.*, 80 U.S. (13 Wall) at 323). Stated differently, so long as a defendant uses the accused terminology to describe its own products truthfully and fairly, no wrong has occurred.

The Court again reiterated this basic premise in *William R. Warner & Co*:

> A name which is merely descriptive of the ingredients, qualities or characteristics of an article of trade cannot be appropriated as a trademark and the exclusive use of it afforded legal protection. The use of a similar name by another *to truthfully describe* his *own product* does not constitute a legal or moral wrong, even if its effect be to cause the public to mistake the origin or the ownership of the product.

265 U.S. at 529 (emphasis added). Because the defendant had actively encouraged passing off and substitution, this

Court suggested that injunctive relief be entered on remand requiring appropriate disclaimers and legends to preclude such activity. *Id.* at 532-33. The Court, however, did not alter its basic application of the fair use defense.

2. The Common-Law Fair Use Defense Was Codified In The Lanham Act With Three Basic Requirements That Are Independent Of Whether A Likelihood Of Confusion Exists

The common-law fair use defense is codified as section 33(b)(4) of the Lanham Act, 15 U.S.C. § 1115(b)(4)(2000), which recognizes as a defense in an infringement action:

> That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of a party's individual name in his own business, or the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin.

Id. The statute therefore requires that a defendant prove only three conditions to be entitled to rely on the fair use defense: that the use be (1) other than as a trademark, (2) fair and in good faith, and (3) only to describe the defendant's goods and services.

Consistent with the prior decisions of this Court, the requirement that the use be "otherwise than as a mark" does not mean that the descriptive terms at issue cannot be used as part of a name or mark at all. Rather, it emphasizes that the nature of the use of the descriptive terms must be to describe the characteristics or qualities of the goods and services instead of to "identify and *distinguish*"[5] the goods and services as those of the defendant. This distinction is important for it reconciles the concept of protecting descriptive terms that have acquired secondary meaning (distinctiveness), *see Armstrong Paint & Varnish Works*, 305 U.S. at 335-36, with the concept that a merchant has the right to use descriptive terms fairly to describe its goods and services. *See Del. & Hudson Canal Co.*, 80 U.S. (13 Wall) at 327; *see also Soweco, Inc. v. Shell Oil Co.*, 617 F.2d 1178 (5th Cir. 1980) (holding use of "larvicide" in the names and marks "Rabon Oral Larvicide" and "Shell Poultry Spray & Larvicide" to be a fair use, notwithstanding the existence of an incontestable registration for the term "Larvacide" for a grain fumigant). So long as the use is other than as a mark (not used to identify *and distinguish*), fair and in good faith, only to describe the defendant's goods and services, it is a fair use. Consistent with the common-law defense, the statute does not require the absence of a likelihood of confusion.

The conclusive evidentiary presumptions attaching to an incontestably registered mark such as that asserted by respondents do not alter this conclusion. Rather, those address the *validity* of the underlying mark, and are not relevant to the separate issue of whether the mark has been *infringed* in violation of sections 32 and 43(a) of the Act through the defendant's creation of a likelihood of confusion in the marketplace. Thus, section 33(b) expressly provides that an incontestable registrant's "exclusive right to use" its mark "shall be subject to proof of infringement," *i.e.*, proof by the registrant of likely confusion. *See* 15 U.S.C. § 1115(b) (2000). This statutory language is neither accidental nor inadvertent:

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[5] As defined in 15 U.S.C. § 1127 (2000), a "trademark" or "service mark" is a device that is used to "identify and distinguish" the goods or services of one person from the goods or services of others.

Rather, Congress added it to section 33(b) in 1988 to "make[] clear that incontestability does not relieve the owner of an incontestable registration from the burden of proving likelihood of confusion." S. REP. NO. 100-515 (1988), at 38, *reprinted in* 1988 U.S.C.C.A.N. 5577, 5601.

To construe the statute as shifting the burden of proof to the defendant to demonstrate an absence of likely confusion, as did the Court of Appeals, is contradictory to the fundamental purpose of the defense. Both the common-law defense and the statutory defense are intended to be defenses to trademark infringement. By definition, therefore, they are defenses that are effective when a likelihood of confusion exists. It is counterintuitive to require a defendant to prove that there is no likelihood of confusion because such proof would demonstrate that there is no trademark infringement in the first instance. In that event, the defendant would not need the fair use defense at all.

Indeed, under such a construction of the statute, there would be no incentive for a defendant ever to plead the fair use defense. To do so would mean that the defendant would not only assume the plaintiff's burden of proof with regard to infringement, but it would also have to prove that its use is other than as a mark, fair and in good faith, and only to describe its goods or services. If the defendant can prove non-infringement, why would it ever assume the burden of proving the other elements of the defense? The engrafting of a requirement to prove the absence of a likelihood of confusion on the fair use defense effectively destroys the fair use defense.

The fair use defense is a defense to the existence of a likelihood of confusion. The defense must therefore be viable even if a likelihood of confusion exists. A plaintiff who chose as his mark a descriptive term cannot and should not be heard to complain if the fair and truthful use by another of the term to describe its products causes confusion. That is the risk that the plaintiff assumed when it adopted the descriptive term as its mark. *Soweco*, 617 F.2d at 1189 n.30.

3. Proper Application Of The Fair Use Defense Requires Consideration Of All Evidence Truly Relevant To The Three Requirements Enunciated In The Statute And At Common Law

Although the fair use defense contemplates the existence of confusion or a likelihood of confusion, proper application of the defense cannot ignore many of the types of evidence that are germane to consideration of the multifactored test for likely confusion.[6] For example, courts have long recognized that a defendant's deliberate adoption of a trademark similar to that of a plaintiff is probative evidence that a likelihood of confusion exists between the two marks. *See, e.g., Bauer Lamp Co. v. Shaffer*, 941 F.2d 1165, 1172 (11th Cir. 1991) (per curiam). In the fair use context, a defendant's intent to trade on the goodwill of the plaintiff by using descriptive terms is directly relevant to the issue of whether that use is a "fair" one made in good faith. *See, e.g., Gen. Conf. Corp. of Seventh Day Adventists v. Perez,* 97 F. Supp. 2d 1154, 1163-64 (S.D. Fla. 2000). By the same token, a defendant's averment to the Patent and Trademark Office in an application to register a challenged term that the defendant is using, or intends to use, the challenged term as a trademark obviously is relevant to section 33(b)(4)'s requirement that the term be used "otherwise than as a mark." 15 U.S.C. § 1115(b)(4) (2000). Evidence of bad faith or predatory intent therefore may be probative of whether the fair use defense is properly invoked, just as it would be relevant to the issue of likely confusion.

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[6] In this case, the Court of Appeals directed the District Court to take into account the following factors on remand when determining whether a likelihood of confusion exists: (1) the strength of the respondents' mark; (2) proximity or relatedness of the parties' goods; (3) the similarity of the terms used by the parties; (4) evidence of actual confusion; (5) the marketing channels used by the parties; (6) the degree of care used by customers when making purchases; (7) the petitioner's intent; and (8) the likelihood of expansion into other markets. *See KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 328 F.3d 1061, 1073 (9th Cir. 2003), *cert. granted*, 124 S. Ct. 981 (2004). Although the formulation and enumeration of these factors varies from Circuit to Circuit, this test is consistent with that in other jurisdictions.

Similarly, certain types of actual confusion also may be probative when considering the fair use defense. In the infringement context, the existence of actual confusion is compelling evidence that confusion is likely and that infringement therefore has occurred. *See, e.g., World Carpets, Inc. v. Dick Littrell's New World Carpets*, 436 F.2d 482, 489 (5th Cir. 1971). In the fair use context, if the confusion is shown to be confusion over whether the defendant is using the term at issue as its mark, then such evidence once again may indicate that consumers do not view the defendant's use as "otherwise than as a mark" under section 33(b)(4). Mere confusion or misassociation that initially results from the existence in the plaintiff's mark of secondary meaning, however, should not be probative because this is exactly the type of confusion that must be tolerated if the other requirements of the fair use defense are met. *See Cosmetically Sealed Indus. v. Chesebrough-Pond's USA Co.*, 125 F.3d 28, 31 (2d Cir. 1997).

Thus, although the significance of actual confusion in the fair use context differs from that in the infringement context, a court applying section 33(b)(4) properly should consider instances of actual confusion generated by the defendant's use in its analysis, just as other evidence bearing on the issue of likely confusion may also be probative of whether a challenged use is fair. A failure to do so simply because actual confusion also is probative evidence of infringement would upset the balance struck by the fair use defense.

CONCLUSION

The Court of Appeals erred in this case by importing the likelihood of confusion test into section 33(b)(4) and by requiring petitioner to establish the absence of likely confusion. Recognition of that error, however, does not require a holding that all evidence bearing on the possible likelihood of confusion between the parties' marks is irrelevant to section 33(b)(4)'s fair use defense. On the contrary, certain evidence traditionally considered in the likelihood of confusion analysis will often be relevant to the inquiry into whether a junior use actually satisfies the requirements of the defense. INTA therefore urges the Court not to adopt an unduly expansive reading of section 33(b)(4) that would threaten the free flow of accurate information in the marketplace that protection of trademarks facilitates.

Respectfully submitted,

Counsel for Amicus Curiae
The International
Trademark Association

William D. Raman*
Theodore H. Davis Jr.
Sherri L. Eastley
Olivia Maria Baratta
1133 Avenue of the Americas
New York, New York 10036
(212) 768-9887

* *Counsel of Record*

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IN THE
SUPREME COURT OF THE UNITED STATES

KP PERMANENT MAKE-UP, INC,
Petitioner,

v.

LASTING IMPRESSION INC, et al.
Respondents,

On Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

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Amicus Brief of Malla Pollack and Other Law Professors Supporting KP Permanent Make-Up, Inc.

Counsel of Record:
Malla Pollack
Visiting Associate Professor
University of Oregon
School of Law
1515 Agate St.
Eugene, Oregon 97403
(tel.) 541-346-1599
(fax.) 541-346-1564
mpollack@law.uoregon.edu

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Interest of the *Amici Curiae*

Amici curiae are law professors specializing in trademark, copyright, and related subjects. None of *amici* have any financial interest in the outcome of this litigation.[1] *Amici* provide their institutional affiliations for identification purposes only; they do not purport to represent the opinions or interests of their respective institutions. *Amici*'s sole interest in this case is to encourage the proper unfolding of law in their areas of specialty.

Authority to File

Both parties have given permission for Pollack to file this *amicus* submission. Copies of the permission letters are attached to the proof of service submitted to the Clerk.

Summary of Argument

The plain text of the relevant statute requires reversal in this case. The Ninth Circuit has misappropriated Congress' authority by adding an element to a statutory defense, thus narrowing the fair use defense mandated by Congress. Likelihood of confusion is an element of the plaintiff's case. Fair use is not a *defense* if it exists only when plaintiff's proof fails.

Judicial deference to Congress is especially appropriate in this instance where the judicial invention disserves both competition and basic free speech theory. Furthermore, the Ninth Circuit's variation increases the potential for unconstitutional applications of the statute. Therefore, in this case, the rule that a statute should be construed according to its plain meaning is supported by two other strong cannons of statutory construction. First, the rule that statutes should be read to prevent raising doubts of their constitutionality. Second, the rule that, unless Congress has spoken with extreme clarity, statutes should not be read to approach the limits of Congress' power.

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[1] No party has authored this brief in whole or in part. The printing of this *amicus* filing was paid for by Malla Pollack with the generous support of the University of Oregon, School of Law.

This Court should, therefore, reverse and remand with instructions for the Ninth Circuit to adhere to the statute's enacted language.

Argument

I. The Ninth Circuit Has Over-reached into Legislation

The plain language of the Lanham Act provides a defense against alleged infringement of even an incontestibly registered mark whenever "the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, . . . of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party ..." 15 U.S.C. § 1115 (b)(4). The Ninth Circuit's doctrine burdens fair users by handicapping them with the burden of disproving likelihood of confusion,[2] a burden not imposed by the language Congress enacted. The Ninth Circuit's position prevents fair use from functioning as a defense, and, thereby, renders 15 U.S.C. § 1115(b)(4) mere surplusage.

Section 1115(b) is entitled "[i]ncontestibility defenses." The first paragraph of 1115(b) ends: "Such conclusive evidence of the right to use the [incontestibly] registered mark shall be subject to proof of infringement as defined in section 1114 of this title, and shall be subject to the following defenses or defects . . ." "[P]roof of infringement as defined in section 1114" requires proof that defendant's use is "likely to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. § 1114(1)(a); 15 U.S.C. § 1114(1)(b). The elements of plaintiff's cause of action are (a) holding a relevant incontestible registration, and (b) likelihood of confusion. Likelihood of confusion is a precondition to considering the fair use defense, not a subpart of the defense.

The word "defects" does not undermine this analysis. The listed defects concern problems with plaintiff's use or acquisition of the mark: fraud, abandonment, misrepresentation, antitrust violation, and functionality. 15 U.S.C. § 1115(b)(1), (2), (3), (7), (8). The "defenses" are actions by defendant: fair use and prior use. 15 U.S.C. § 1115(b)(4), (5), (6). All of the items listed in § 1115(b) ("defenses," "defects," and "equitable principles") concern matters outside the elements of plaintiff's *prima facie* case (an incontestible registration and likelihood of confusion).

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[2] This burden is aggravated by other non-statutory burdens enforced by the Ninth Circuit. For example, in this case, the Ninth Circuit has extended the statutory conclusive presumption of secondary meaning triggered by an incontestible registration from "the registered mark," 15 U.S.C. § 1115(b) (containing numerous repetitions of "the registered mark"), to "the most salient feature of the mark," the "term 'micro colors' apart from the mark." *KP Permanent Make-Up, Inc. v. Lasting Impressions, Inc.*, 328 F.3d 1061, 1071 (9th 2003), *cert. granted*, 124 S. Ct. 981 (U.S. Jan. 9, 2004) (this case).

In short, likelihood of confusion is an element of the plaintiff's case. Fair use is not a *defense* if it exists only when plaintiff's proof fails.[3]

Furthermore, the Ninth Circuit's position renders subsection § 1115(b)(4) mere surplusage. "It is a cardinal principle of statutory construction that a statute ought, upon the whole, to be so construed that, if it can be prevented, no clause, sentence, or word shall be superfluous, void, or insignificant." TRW Inc. v. Andrews, 534 U.S. 19, 31 (2001) (internal quotation marks and supporting citations omitted); *see also id.* at 29 (refusing a proffered statutory construction because "[i]t would in practical effect render [one] exception entirely superfluous in all but the most unusual circumstances."). If fair use only exists when plaintiff has failed to prove likelihood of confusion, fair use itself does no work.

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[3] McCarthy, recognizing disagreement, takes the position that the common law fair use defense is merely a short-hand term for one set of cases where plaintiff has failed to prove likelihood of confusion. *See* McCarthy on Trademarks and Unfair Competition § 11:47 (3d ed.). However, this Court "read[s] Congress' codification of one judge-made doctrine not as a license to imply others, but rather as an intentional rejection of those it did not codify." TRW Inc. v. Andrews, 534 U.S. 19, 31 at n.5 (2001).

The Ninth Circuit's amendment of the Lanham Act ignores constitutionally required judicial "deference to the supremacy of the Legislature, as well as recognition that Congressmen typically vote on the language of a bill." Lamie v. United States Trustee, U.S. No. 02-693, slip. op. at 11 (Jan. 26, 2004) (citations omitted). Furthermore, the Ninth Circuit's violation of the plain meaning rule of statutory construction takes a most disfavored form, "read[ing] absent word[s] into the statute." *Id.*

The Ninth Circuit's amendment lacks the excuse of apparent legislative drafting error[4] or any hint that the language of the statute leads to harsh, let alone absurd, results. *See Lamie*, slip op. at 6, 11 (insisting that plain meaning may be disregarded by courts only when plain meaning results are "absurd," not merely to prevent an "harsh outcome.").

Furthermore, the Ninth Circuit's reading is in clear tension with basic assumptions of American jurisprudence. Even more disturbing, the Ninth Circuit's amended statute greatly increases the likelihood of unconstitutional applications of the statute. The Ninth Circuit, therefore, has amended a federal statute precisely in those circumstances where judicial caution is most appropriate. *See, e.g.*, INS v. St. Cyr, 533 U.S. 289, 299-300 (2001) (citations omitted) (cautioning against reading statutes to promote constitutional problems absent the clearest statutory language); Vermont

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[4] As this Court has recently emphasized, even congressional drafting errors do not empower courts to insert additional words into enacted statutes. *See Lamie v. United States Trustee*, U.S. No. 02-693, slip op. at 15 (Jan. 26, 2004).

Agency v. United States *ex rel* Stevens, 529 U.S. 765, 787 (2000) (same); DeBartolo Corp. v. Florida Gulf Coast Bldg. & Constr. Trades Council, 485 U.S. 568, 575 (1988) (same); Ashwander v. TVA, 297 U.S. 288, 348 (1936) (Brandeis, J., concurring) (same).

Amici leave fuller explication of the statute's plain meaning to Petitioner, but write separately to clarify the default positions and constitutional warning signs counseling against the Ninth Circuit's amendment to the Lanham Act.

II. Competition is the American Default Position

The Ninth Circuit changed Congress' careful decision about how far to allow incontestible trademark registrations to limit *competition* by limiting competitors' ability to describe their goods to potential customers.

The basic rule of United States business law is free competition. *See* Brown v. Pro Football, Inc., 518 U.S. 231, 252 (1996) ("The basic premise underlying the Sherman Act is the assumption that free competition among business entities will produce the best price levels.") Competition should be helped, not hindered, by mark regulation. *See* Qualitex Co. v. Jacobson Prods., 514 U.S. 159, 164 (1995) ("trademark law . . . seeks to promote competition"); Park N' Fly, Inc. v. Dollar Park and Fly, Inc., 469 U.S. 189, 193 (1985) ("trademarks desirably promote competition"); *see also* Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 146 (1989) ("The Patent [and Copyright] Clause itself reflects a balance between the need to encourage innovation and the avoidance of monopolies which stifle competition ....").

The United States thrives because of competition. "Of all human powers operating on the affairs of mankind, none is

greater than that of competition." 8 Henry Clay, *On the American System, in* The Works of Henry Clay 437, 469 (ed. Calvin Colton, 1904) (transcribing a speech made in the Senate, Feb. 2, 3, & 6, 1832). Allowing one firm to muzzle a competitor allows that firm to silence consumer choice. "Each entrepreneur represents a different aspect of the consumers' wants.. . . . The competition among the entrepreneurs is ultimately a competition among the various possibilities open to men . . ..", thus empowering consumers. Ludwig von Meises, Human Action: A Treatise on Economics, at Part 4, Chapter 16, ¶ 32 (4th revised ed. 1996), *available at* <http://www.econolib.org/ library/Mises/ HmA/msHmA16.html> .

> The interest of the dealers . . . in any particular branch of trade or manufactures, is always in some respects different from, and even opposite to, that of the public. To widen the market and to narrow the competition, is always the interest of the dealers. To widen the market may frequently be agreeable enough to the interest of the public; but to narrow the competition must always be against it, and can serve only to enable the dealers, by raising their profits above what they naturally would be, to levy, for their own benefit, an absurd tax upon the rest of their fellow-citizens. . . . . [Dealers are] an order of men, whose interest is never exactly the same with that of the public, who have generally an interest to deceive and even to oppress the public, and who accordingly have, upon many occasions, both deceived and oppressed it.

Adam Smith, An Inquiry into the Nature and Causes of the

Wealth of Nations, at Book I, Ch. 11, ¶ 11, *available at*, <http://www.econolib.org/library/>.

Competition is the bedrock of trade. Courts should not block free competition absent legislative action. *See* Wal-Mart Stores, Inc. v. Samara Bros., Inc., 529 U.S. 205, 212 (2000) (refusing to accept a forced reading of the Lanham Act because "[c]onsumers should not be deprived of the benefits of competition . . . by a rule of law that facilitates plausible threats of suit..."). Congress, not the courts, guards the delicate balance that renders trademark, and other intellectual property holdings, pro-competitive. *See* Eldred v. Ashcroft, 537 U.S. 186, 205 n.10 (2003) ("[W]e have stressed that 'it is not our role to alter the delicate balance Congress has labored to achieve.'") (quoting Stewart v. Abend, 495 U.S. 207, 230 (1990)).

Therefore, the Ninth Circuit should be ordered to follow the language of the Lanham Act.

III. Free Speech is the American Default Position

The Ninth Circuit changed Congress' careful decision about how far to allow incontestible trademark registrations to limit competition by limiting competitors' ability to *describe* their goods to potential customers.

"[W]ords because they are the common property of the human race, . . . are as little susceptible of private appropriation as air or sunlight...." Homes v. Hurst, 174 U.S. 82, 86 (1899) (internal quotations & citation omitted). Any one "is at liberty under the law to manufacture and market an exactly similar preparation [as respondent's non-patented formula] and to notify the public that it is being done" by using the same descriptive terms used by respondent. William

v. Warner & Co. v. Eli Lilly & Co., 265 U.S. 526, 529 (1924) (referring to terms "Quin-Coco" and "Coco-Quinine); *see also* Saxlehner v. Wagner, 216 U.S. 375, 379 (1910) (upholding right to use "artificial Hunyadi Janos" on bottled water).

The Lanham Act's incontestibility provisions changed this rule somewhat. *See* Park 'N Fly, Inc. v. Dollar Park and Fly, Inc., 469 U.S. 189, 199-202 (1985) (holding that Lanham Act prevents use of "mere descriptiveness" defense against mark with incontestible registration).

Allowing sole private ownership of a word, however, raises First Amendment issues. *See* San Francisco Arts & Athletics, Inc. v. United States Olympic Comm., 483 U.S. 522, 532 (1987) ("This Court has recognized that words are not always fungible, and that the suppression of particular words runs a substantial risk of suppressing ideas in the process.") (internal editing, quotation marks, and citation omitted). *See also, e.g.,* Lorillard Tobacco Co. v. Reilly, 533 U.S. 525 (2001) (recognizing First Amendment issues raised by government regulation of truthful advertising); 44 Liquormart v. Rhode Island, 517 U.S. 484 (1996) (same); Rubin v. Coors Brewing Co., 514 U.S. 476 (1995) (same).

The Court did not closely consider First Amendment problems in *Park N' Fly*, recognizing that the judiciary should defer to Congress' clear decision. *See Park N' Fly*, 469 U.S. at 202 ("At bottom, the dissent simply disagrees with the balance struck by Congress in determining the protection to be given incontestible marks."). The *Park N' Fly* Court also noted that Congress had limited incontestible rights, *inter alia,* by "under certain circumstances, permit[ing] the nontrademark use of descriptive terms contained in an incontestible mark." *Id.* at 201 (referring to statute now at issue).

However, the First Amendment tension strongly counsels not investing incontestible registrations with one iota more power over language than Congress clearly required. Therefore, the Ninth Circuit should be ordered to follow the language of the Lanham Act.

IV. The Ninth Circuit's Rule Multiples the Risk of Unconstitutional Applications of the Lanham Act

Besides the First Amendment issues created by incontestible registrations of merely descriptive words, the Ninth Circuit's doctrine greatly raises the risk of collisions between the Lanham Act and the Copyright and Patent Clause. U.S. Const., Art. I, sec. 8, cl. 8 ("Congress shall have the power . . . . To promote the Progress of Science and the useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."). This Clause prohibits Congress from creating a species of temporally unlimited copyrights. *See* Dastar Corp. v. Twentieth Century Fox Film Corp., 123 S. Ct. 2041, 2050 (2003); *Eldred*, 537 U.S. at 199.

Trademarks are not required to be copyrightable or patentable subject matter. The Trademark Cases, 100 U.S. (18 Otto) 82, 94 (1879) (holding that statute protecting use-based trademarks is outside Congress' Copyright and Patent power because such marks are neither "writings" nor "discoveries."). However, many current trademarks are copyrightable subject matter, having the requisite "minimal level of creativity." Feist Publ'ns v. Rural Tel. Svc., 499 U.S. 340, 359 (1991). Respondent's incontestibly registered design and word mark is copyrightable.

Unlike copyrights, trademarks may last forever.

Trademark protection of copyrightable works whose copyright protection has expired has been allowed by some courts on the ground that trademark protects consumers from confusion.[5] However, "confusion" can only exist if consumers recognize the claimed *res* as an indicia of origin;[6] for merely descriptive marks, such recognition requires secondary meaning.[7] But, if a business is sued for allegedly infringing an incontestibly registered mark, the incontestible mark is conclusively presumed to have secondary meaning, even if the mark is descriptive. The plaintiff does not submit evidence of secondary meaning. The defendant is legislatively barred from proving lack of secondary meaning. *See Park N' Fly*, 469 U.S. at 205 ("We conclude that the holder of a registered mark may rely on incontestibility to enjoin infringement and that such an action may not be defended on the grounds that the mark is merely descriptive.").

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[5] *See* McCarthy on Trademarks and Unfair Competition § 6.10 (3rd ed.) (providing overview of cases); *see id.* at 6-52 (focusing on confusion requirement); *see also* Hugh Latimer & Karyn K. Ablin, *Stealth Patents: The Unconstitutionality of Protecting Product Designs under the Federal Trademark Dilution Act*, 90 Trademark Rep. 489, 490 (2000) ("[T]he key distinction that allows trademarks peacefully to coexist with patents and copyrights is that trademarks . . . require[] a demonstration of consumer confusion . . . .").

[6] *See Wal-Mart Stores v. Samara Bros.*, 529 U.S. 205, 210 (2000) ("without distinctiveness [a mark] would not cause confusion . . . as the [statute] requires.") (internal quotation marks & citation omitted). *See also Qualitex Co. v. Jacobson Prods.*, 514 U.S. 159, 164 (1995) ("It is the source-distinguishing ability of a mark . . . that permits it to serve [a mark's] basic purposes.").

[7] *See Wal-Mart*, 529 U.S. at 211 n.* (defining "secondary meaning" as "acquired meaning."); *see also* Rest. (3d) Unfair Comp. § 13 (b) (explaining that secondary meaning exists when "the designation, although not 'inherently distinctive,' has become distinctive, in that, as a result of its use, prospective purchasers have come to

This confluence of rules means that the universe of copyrightable, but merely descriptive, incontestibly registered marks may be enforced perpetually even if no secondary meaning exists, thus creating unconstitutional perpetual copyrights. Furthermore, as the constitutionally based "non-obviousness" standard for patent protection prohibits patent-like protection of obvious quasi-inventions,[8] the "originality" requirement of the copyright subsection of clause 8, may render unconstitutional copyright-like protection of sub-copyrightable material (such as single words and short phrases). *See Feist*, 499 U.S. at 359 (holding that originality is a constitutional requirement for copyright protection); *Trademark Cases,* 100 U.S. at 94 (holding that single words and short phrases commonly used as trademarks are not sufficiently original for copyright protection). "Trademark" protection of descriptive word marks lacking secondary meaning would be unconstitutional copyright-like protection.

Any judicial expansion of the power of incontestible registrations increases the likelihood of such unconstitutional applications of the Lanham Act. The Ninth Circuit's rule, requiring the proponent of the fair use defense to bear the non-statutory burden of proving lack of likelihood of confusion, is such a problematical change.[9] As with other statutory language approaching the limits of Congress' power, incontestible trademark registrations should not be judicially extended beyond unmistakable statutory command. *See e.g., St. Cyr*, 533 U.S. at 299 ("[W]hen a particular interpretation of a statute invokes the outer limits of Congress' power, we expect a clear indication that Congress intended that result"; invoking "plain statement rule.").

This is not a case where Congress wrote an

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perceive it as a designation that identifies goods, services, businesses, ...").

[8] *See Graham v. John Deere Co.*, 383 U.S. 1, 5-6 (1966) (holding that constitution bars patent protection of obvious quasi-inventions); *see also Bonito Boats v. Thunder Craft Boats*, 489 U.S. 141, 156 (1989) (striking down state provision of patent-like unfair competition protection for subpatentable quasi-invention).

[9] As noted *supra* note 2, this problem is exacerbated by another non-statutory doctrine enforced by the Ninth Circuit. The Ninth Circuit has extended the statutory conclusive presumption of secondary meaning triggered by an incontestible registration from "the registered mark," 15 U.S.C. § 1115(b) (containing numerous repetitions of "the registered mark"), to "the most salient feature of the mark," the "term 'micro colors' apart from the mark." *KP Permanent Make-Up, Inc. v. Lasting Impressions, Inc.*, 328 F.3d 1061, 1071 (9th 2003).

unconsitutional statute. This is another example of a few federal courts expanding the language of a federal statute without recognizing their approach towards a constitutional precipice. *See Dastar,* 123 S. Ct. at 2050 (rejecting Ninth Circuit's reading of 15 U.S.C. § 1125(a)(1)(A), Lanham Act § 43(a), because "[t]o hold otherwise would be akin to finding that § 43(a) created a species of perpetual patent and copyright which Congress may not do.").

Therefore, the Ninth Circuit should be ordered to follow the language of the Lanham Act.

Conclusion

For all the reasons discussed above, this Court should reverse and remand, instructing the Ninth Circuit to follow the language of the Lanham Act.

Respectfully submitted, March 25, 2004

Malla Pollack
Visiting Associate Professor
University of Oregon
School of Law
1515 Agate St.
Eugene, Oregon 97403
(tel.) 541-346-1599
(fax.) 541-346-1564
mpollack@law.uoregon.edu

and other law professors:

Keith Aoki
Philip H. Knight Professor of Law
University of Oregon School of Law
1515 Agate St.
Eugene, OR 97403
541-346-3673
kaoki@law.uoregon.edu

Ann Bartow
Visiting Professor, American University
Washington College of Law (Spring 2004),
Assistant Professor
University of South Carolina School of Law
Main & Green Streets
Columbia, S.C. 29208
803-777-7788
bartow@law.sc.edu

Ralph D. Clifford
Professor of Law
Southern New England School of Law
333 Faunce Corner Rd.
North Dartmouth, MA 02747
508-998-9564 ext. 137
rclifford@nospam_rcn.com

Christine Haight Farley
Associate Professor of Law
American University Washington College of Law
4801 Massachusetts Avenue, NW
Washington, DC 20016
202-274-4171
cfarley@wcl.american.edu

Eric M. Freedman
Professor of Law
Hofstra Law School
Hempstead, NY 11550
516-463-5167
LAWEMF@Hofstra.edu

Laura N. Gasaway
Director of the Law Library & Professor of Law
Law Library, CB # 3385
University of North Carolina
Chapel Hill, NC 27599
919-962-1321
laura_gasaway@unc.edu

Shuba Ghosh
Professor of Law
State Univ. of New York at Buffalo, School of Law
John Lord O'Brian Hall, North Campus
Buffalo, New York 14260-1100
716-645-2060
ghoshlaw@hotmail.com

Peter D. Junger
Professor of Law, Emeritus
Case Western Reserve University
11477 Mayfield Road, Suite 417
Cleveland, OH 44106
(216) 721-9706
junger@samsara.law.cwru.edu

Dennis S. Karjala
Jack E. Brown Professor of Law
College of Law – Arizona State Univ.
Tempe, Arizona 85287-7906
480-965-4010
dennis.karjala@asu.edu

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ON WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

BRIEF OF PRIVATE LABEL MANUFACTURERS ASSOCIATION AS AMICUS CURIAE IN SUPPORT OF PETITIONER

ARTHUR M. HANDLER
Counsel of Record
ROBERT S. GOODMAN
MATTHEW N. TOBIAS
HANDLER & GOODMAN LLP
805 Third Avenue
8th Floor
New York, New York 10022
(646) 282-1900

Counsel for Amicus Curiae
Private Label Manufacturers
Association

186959

COUNSEL PRESS
(800) 274-3321 • (800) 359-6859

QUESTION PRESENTED

This Court, by order dated January 9, 2004, granted certiorari on the following question:

> Does the classic fair use defense to trademark infringement require the party asserting the defense to demonstrate an absence of likelihood of confusion, as is the rule in the Ninth Circuit, or is Fair Use an absolute defense, irrespective of whether or not confusion may result, as is the rule in other Circuits?

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PRELIMINARY STATEMENT

Pursuant to Rule 37 of the Supreme Court Rules, Private Label Manufacturers Association ("PLMA"), with the consent of the parties, submits this brief as *amicus curiae* in support of reversal of the order and decision of the Court of Appeals for the Ninth Circuit.[1]

INTEREST OF *AMICUS CURIAE*

PLMA is a trade association representing over 3,200 companies involved in the manufacture and distribution of private label or store brand products, *i.e.*, items sold under a retailer's or wholesaler's brand name in supermarkets, drug chains and mass merchandisers throughout the United States.[2] Store brand products include: over-the-counter drugs, health and beauty care items, packaged and processed foods, beverages, snacks, household cleaners, outdoor and leisure products, auto aftercare and a wide range of other general merchandise.

Store brand products represent a significant factor in the marketplace. Many retail food and drug chains and mass merchandisers routinely offer store brand counterparts alongside national brand products. Today's consumers are highly aware of and are purchasing substantial quantities of store brand products as alternatives to nationally branded products.[3] In a 2001 consumer poll conducted by the Gallup organization, 66 percent of the respondents stated that they were more aware of store brands at supermarkets today than five years ago, while 72 percent expressed more awareness of store brands at drug stores and large discount chains. PLMA Gallup Report, Store Brands Come Of Age: PLMA's New Study of Consumer Attitudes Toward Private Label, conducted by The Gallup Organization 10 (2001). 85 percent of respondents answered that they purchase store brands at supermarkets occasionally, regularly or frequently, with

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[1] The parties have consented to the filing of this brief. Their letters of consent are on file with the Clerk of the Court. This brief has been authored in its entirety by undersigned counsel for the *amicus curiae*. No person or entity, other than the named *amicus* and their counsel, made any monetary contribution to the preparation and submission of this brief.

[2] The relevant products are hereafter collectively referred to as "store brand" products.

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[3] Federal Courts have taken notice of the burgeoning private label industry. In *Conopco, Inc. v. May Dep't Stores Co.*, 46 F.3d 1556 (Fed. Cir. 1994), the Federal Circuit noted consumer awareness of store brand products in the marketplace as follows:

> This is a case in which a retailer markets a national brand product and at the same time markets its own private label product in direct competition. The retailer packages its product in a manner to make it clear to the consumer that the product is similar to the national brand, and is intended for the same purposes. At the same time, the retailer clearly marks its product with its private logo, and expressly invites the consumer to compare its product with that of the national brand, by name.
>
> With the rise of regional and national discount retailers with established names and logos, retailers who market both national brands and their own private label brands in direct competition, this form of competition has become commonplace and well-known in the marketplace.

46 F.3d at 1565.

59 percent answering regularly or frequently. *Id.* at 7. Furthermore, 90 percent of respondents answered that more than 20 percent of their supermarket purchases are store brand products, with nearly one-third stating that over half their purchases are store brands. *Id.* at 8. Consumers' satisfaction with the store brand options available to them is reflected in 70 percent of respondents answering that the quality of store brands at the supermarket where they shop is better or the same as the national brands available. *Id.* at 15.

Reflecting this consumer awareness and acceptance are the high levels of sales of store brands in supermarkets, drug chains and mass retailers. For the fifty two week period ending December 29, 2002, store brands accounted for $41.9 billion in supermarket sales (16.3% of the supermarket total dollar sales) and 20.8% of supermarket unit sales. PLMA's 2003 Private Label Yearbook: A Statistical Guide To Today's Store Brands 3 (2003) (based upon statistics compiled by Information Resources, Inc.). At drug chains, store brands accounted for $3.5 billion in sales (10.6% of drug chain total dollar sales) and 11.9% of unit sales. PLMA's 2003 Private Label Yearbook at 4. Overall, for all supermarkets, drug chains and mass retailers in the United States,[4] store brands accounted for $47.1 billion in annual sales (15.2% of total annual sales) and 19.6% of total unit sales – approximately one out of every five products sold at these stores were store brands. PLMA's 2003 Private Label Yearbook at 6.

From the consumers' point of view, store brands represent substantial savings for products of comparable or superior quality and performance to the leading national brands. A 2003 study by ACNielsen found that, on average, store brand products offer U.S. consumers a savings of 31 percent as compared to comparable national brand products. ACNielsen, The Power of Private Label: A Review of Growth Trends Around the World 17 (2003).

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[4] Excluding Wal-Mart.

Amicus PLMA has a direct and substantial interest in the preservation of open, competitive markets in which manufacturers may offer consumers quality goods at reasonable prices as an alternative to nationally branded products. With respect to the legal question before this Court, PLMA's *amicus curiae* submission is intended to support a competitive marketplace by ensuring a free flow of educational product information to the consumer and to demonstrate the need for this Court to resolve the existing conflict in the circuits by ruling that the classic fair use defense may be successfully raised without the need to prove absence of likelihood of confusion, a conclusion which is consistent with a plain reading of the Lanham Act, the rationale of the classic fair use defense, and trademark law policy.

SUMMARY OF ARGUMENT

PLMA submits this *amicus curiae* brief in support of reversal of the order and decision of the Ninth Circuit which ruled that the classic fair use defense to trademark infringement, as set forth in Section 33(b)(4) of the Lanham Act, can only be successfully raised in the absence of likelihood of confusion.

Trademark law is intended to help fulfill Congress' policy of promoting invention while preserving free competition. Trademark law serves this policy through its threefold goal of (1) protecting consumers from confusion as to the source of a product, (2) protecting manufacturer's from having their

good will and reputation usurped or harmed by counterfeiting or palming off and (3) fostering competition by promoting the free flow of information in the marketplace. Trademark law has never been intended to hinder competition or grant monopoly power.

It is essential that this Court reiterate these well established principles and protect the public interest by ensuring that consumers are provided with the broadest possible educational product information. The classic fair use defense is designed to promote the free flow of information by allowing competitors to use words and phrases trademarked by others to accurately describe their own products. Thus, the classic fair use defense ensures that a consumer will have available sufficient educational information so that the consumer may make informed decisions in the selection of a particular product from among the numerous similar choices available in the marketplace.

Holding that the classic fair use defense is available only when the party asserting the defense has proven the absence of likelihood of confusion substantially and erroneously restricts this defense and the free flow of information which the defense is intended to promote. By increasing the risk of liability to a manufacturer who in good faith truthfully uses a trademarked phrase to describe its own product, the Ninth Circuit's holding impedes consumers' access to educational information required to compare competing products in a manner which is easy to understand and ultimately useful to them. In this way, the Ninth Circuit's holding hinders competition – a result which is in direct conflict with the stated goals of trademark law.

PLMA, as *amicus curiae*, respectfully submits that the Ninth Circuit's holding amounts to improper judicial legislation by reading into the Lanham Act an additional element of the defense which is not expressly provided by Congress. Further, the Ninth Circuit's holding improperly shifts the burden of proof on the issue of likelihood of confusion from the plaintiff to the defendant. Finally, by creating a scheme where the classic fair use defense can only be raised when there is no likelihood of confusion, the Ninth Circuit has effectively eviscerated the defense – the defense will only be available in the precise situation where it is not necessary, when the plaintiff has been unable to prove an essential element of trademark infringement, to wit, likelihood of confusion.

ARGUMENT

POINT I

THE GOALS OF TRADEMARK LAW

Although the granting of monopoly rights is generally disfavored as being anti-competitive,[5] the quasi-monopoly rights in an identifying mark granted by the Lanham Act serve to fulfill Congress' policy with respect to patent, trademark and copyright law, continuously reaffirmed by this Court, of "promot[ing] invention while at the same time preserving free competition." *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 230-31 (1964); *accord*, *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 144 (1989);

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[5] *See United States v. Topco Assocs., Inc.*, 405 U.S. 596, 610 (1972), characterizing the antitrust laws as the "Magna Carta of free enterprise."

Park 'N Fly, Inc. v. Dollar Park and Fly, Inc., 469 U.S. 189, 193 (1985). Trademark law benefits society by creating a fair and competitive marketplace in three ways: (1) protecting consumers from confusion and deception as to the source of competing products, (2) protecting a manufacturer's reputation and good will from being usurped by counterfeiting or palming off and (3) fostering competition by avoiding monopolization and promoting the free flow of information and ideas in the marketplace. *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 163-64 (1995); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 782 n.15 (1992) (Stevens, J. concurring) (quoting S. Rep. No. 79-1333, at 3 (1946)).

A. Trademark Law Aims To Protect The Consumer From Confusion As To The Source Of Competing Products

The ultimate aim of trademark law is the protection of the consumer from confusion. *Bonito Boats*, 489 U.S. at 157 (1989) (focus is on consumer protection); J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 1.01[2], at 1-6 (3d ed. 1995) (aim of unfair competition law is protection of consumer from confusion, mistake and deception in commerce). Trademarks act as a source identifier for a particular product or family of products, thereby allowing consumers to "be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will get the product which it asks for and wants to get." *Two Pesos*, 505 U.S. at 782 n.15 (Stevens, J. concurring) (quoting S. Rep. No. 79-1333, at 3 (1946)).

Trademarks that function as a source indicator may inform consumers as to different product characteristics, including source, price, quality and type of product. *Qualitex*, 514 U.S. at 163-65. Misperceptions as to any of these may result in confusion, and harm the deceived consumers financially, physically or otherwise. *Id.* at 164-65.

B. Trademark Law Secures A Manufacturer's Good Will And Reputation

A trademark's function as a source identifier also helps to protect manufacturers. As the Senate commented upon the passage of the Lanham Act, "'where the owner of a trademark has spent energy, time and money in presenting to the public [a] product, he is protected in his investment from its misappropriation by pirates and cheats." *Two Pesos*, 505 U.S. at 782 n.15 (Stevens, J. concurring) (quoting S. Rep. No. 79-1333, at 3 (1946)). By ensuring that a competitor cannot pass off his goods as that of another, trademarks help protect the reputation and good will a manufacturer has built up through the consistent quality of its products against diversion from counterfeiters. *Id.* In this way, trademark law helps to promote innovation in the marketplace.

C. Trademark Law Fosters Competition By Avoiding Monopolization And Promoting The Free Flow Of Information And Ideas In The Marketplace

However, unfair competition law is not, and was never intended to be, used as an anti-competitive device to prevent or handicap new market entrants. *Publications Int'l, Ltd. v. Landoll, Inc.*, 164 F.3d 337, 340 (7th Cir. 1998), *cert. denied*, 526 U.S. 1088 (1999); *Wallace Int'l Silversmiths, Inc. v. Godinger Silver Art Co., Inc.*, 916 F.2d 76, 81 (2d Cir. 1990), *cert. denied*, 499 U.S. 976 (1991); *Stormy Clime Ltd. v. ProGroup, Inc.*, 809 F.2d 971, 978 (2d Cir. 1987); *Crescent Tool Co. v. Kilborn & Bishop Cop.*, 247 F. 299, 301 (2d Cir. 1917) (Hand, C.J.). Rather, trademark law is designed to encourage competition by avoiding monopolization and promoting the free flow of information in the marketplace. *Qualitex*, 514 U.S. at 168-70; *Sears, Roebuck & Co.*, 376 U.S. at 230-31; *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964).

Monopolization by a dominant market participant can harm the consumer by increasing costs and limiting product choice and availability. Accordingly, it has long been the rule that established market manufacturers cannot use their dominant position in the market to exclude new entrants. *Crescent Tool*, 247 F. at 301. "It is a first principle of trademark law that an owner may not use the mark as a means of excluding competitors from a substantial market." *Wallace Int'l Silversmiths*, 916 F.2d at 81; *Stormy Clime*, 809 F.2d at 978. Trademark law, therefore, should not be applied so as to permit an entrenched manufacturer to obtain an unfair competitive position by prohibiting a competitor from accurately describing its competing product.

POINT II

THE NINTH CIRCUIT HAS IMPROPERLY RESTRICTED THE CLASSIC FAIR USE DEFENSE

A. The Classic Fair Use Defense

> It is a fundamental principle marking an outer boundary of the trademark monopoly that, although trademark rights may be acquired in a word or image with descriptive qualities, the acquisition of such rights will not prevent others from using the word or image in good faith in its descriptive sense, and not as a trademark.

Car-Freshener Corp. v. S.C. Johnson & Son., Inc., 70 F.3d 267, 269 (2d Cir. 1995); *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947, 951 (7th Cir. 1992) ("no one should be able to appropriate descriptive language through trademark registration"); *Radio Channel Networks, Inc. v. Broadcast.com, Inc.*, No. 98 Civ. 4799, 1999 WL 124455, at *3 (S.D.N.Y. March 8, 1999). This Court has long acknowledged this principle, stating in *William M. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526 (1924), "The use of a similar name by another to truthfully describe his own product does not constitute a legal or moral wrong, even if its effect be to cause the public to mistake the origin or ownership of the product." 265 U.S. at 529.

This principle is the basis for the classic fair use defense which "permits use of a protected mark by others to describe certain aspects of the user's own goods." *EMI Catalogue Partnership v. Hill, Holliday, Connors, Cosmopulos, Inc.*, 228 F.3d 56, 64 (2d Cir. 2000); *Cosmetically Sealed Indus., Inc. v. Chesebrough-Pond's USA Co.*, 125 F.3d 28, 30 (2d Cir. 1997). This defense has been codified in section 33(b)(4) of the Lanham Act, which provides that it shall be a defense to "proof of infringement" if it can be shown

> That the use of the . . . term, or device charged to be an infringement is a use, otherwise than as a trade or service mark, . . . of a term or device which is descriptive of and used fairly and in good faith only to describe to users the goods or services of such party, or their geographic origin.

15 U.S.C. § 1115(b)(4); *see Sugar Busters LLC v. Brennan*, 177 F.3d 258, 270-71 (5th Cir. 1999); *Car-Freshener*, 70 F.3d at 269; *M. B. H. Enters., Inc. v. WOKY, Inc.*, 633 F.2d 50, 52 (7th Cir. 1980); *Soweco, Inc. v. Shell Oil Co.*, 617 F.2d 1178, 1185 (5th Cir. 1980). Although this section of the Lanham Act applies only to claims of trademark infringement against marks that have achieved incontestable status, 15 U.S.C. § 1115, the classic fair use defense at common-law has the same elements, i.e. the alleged infringer was using the protected mark (1) other than as a trademark, (2) to describe to the consumer the alleged infringer's own product and (3) such use was fair and in good faith. *EMI Catalogue*, 228 F.3d at 64; *Sugar Busters*, 177 F.3d at 270-71; *Laura Secord Candy Shops Limited v. Barton's Candy Corp.*, 368 F. Supp. 851, 853 (N.D. Ill. 1973).

In violation of the foregoing established principles, the Ninth Circuit has seen fit to add an element to the classic fair use defense in addition to those set forth in the Lanham Act and at common law. The Ninth Circuit below restricted the application of classic fair use defense only to situations where there is an absence of likelihood of confusion. *K.P. Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 328 F.3d 1061, 1073 (9th Cir. 2003). The Ninth Circuit's formulation should not be upheld by this Court because (1) it improperly adds an element to the defense which is not set forth in the Lanham Act, (2) it improperly shifts the burden of proof on the element of likelihood of confusion to the defendant, (3) it has rendered the statutory defense moot, and (4) it is at variance with well reasoned decisions in the Second, Fourth and Fifth Circuits. *Sugar Busters*, 177 F.3d at 271; *Cosmetically Sealed*, 125 F.3d at 30; *Shakespeare Co. v. Silstar Corp. of America, Inc.*, 110 F.3d 234, 243 (4th Cir. 1997); *Car-Freshener*, 70 F.3d at 270; *Soweco*, 617 F.2d at 1189 n.30; *but, see, Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 791 (5th Cir. 1983).

B. The Ninth Circuit Has Engaged In An Improper Judicial Rewriting Of Section 33(b)(4) Of The Lanham Act

The Ninth Circuit's formulation of the classic fair use defense is improper because it adds an element to the defense that is neither set forth in the statute, nor has traditionally been read into the defense at common law, i.e., the absence of likelihood of confusion. It has long been recognized that it is appropriate and proper to use words to truthfully describe one's own product, even if such words have trademark protection. In *William M. Warner & Co. v. Eli Lilly & Co.*, this Court specifically noted that "the use of a similar name by another to truthfully describe his own product does not constitute a legal or moral wrong, *even if its effect be to cause the public to mistake the origin or ownership of the product*." 265 U.S. at 529 (emphasis added).[6] This principle has been followed by the Second, Fourth and Fifth Circuits. *E.g.*, *Sugar Busters*, 177 F.3d at 271; *Cosmetically Sealed*, 125 F.3d at 30; *Soweco,* 617 F.2d at 1189 n.30.

By judicially adding an element to the classic fair use defense, the Ninth Circuit has engaged in an improper judicial rewriting of the Lanham Act. Such judicial legislation is disfavored by this Court. *United States v. Aguilar*, 515 U.S. 593 (1995); *Burns v. U.S.*, 501 U.S. 129 (1991). The appropriate judicial function, in the words of Justice Stevens, "is simply to adopt a literal, reasonable construction of the text that Congress drafted." *United States v. Aguilar*, 515 U.S. at 609 (concurring in part, dissenting in part).

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[6] Although the Court in *Warner* did not identify the classic fair use defense by name, it is clear that the Court was considering a situation identical to that in which the defense should be raised, i.e., where a defendant to a claim of trademark infringement has used words similar to another's trademark to accurately describe its own product in good faith.

C. By Adding The Absence Of Likelihood Of Confusion As An Element Of The Classic Fair Use Defense, The Ninth Circuit Has Improperly Shifted The Burden Of Proof On The Issue Of Likelihood Of Confusion To The Defendant

The Lanham Act specifically provides that proof of infringement requires a showing of "likelihood to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. §§ 1114(a)(1) and (2). As a required element of trademark infringement, the burden is on the plaintiff to prove that a likelihood of confusion exists as a result of the allegedly infringing use. *The Sports Authority, Inc. v. Prime Hospitality Corp.*, 89 F.3d 955, 960 (2d Cir. 1996); *Lindy Pen Company, Inc. v. Bic Pen Corp.*, 725 F.2d 1240, 1243 (9th Cir. 1984). Only when infringement is established is it necessary to consider the defense of fair use. There is nothing to be found in the Lanham Act which requires that the burden of proving absence of likelihood of confusion shifts to the defendant

As with all affirmative defenses, a defendant normally bears the burden of proving all of the elements to the classic fair use defense. *Venetianaire Corp. v. A & P Import Co.*, 429 F.2d 1079, 1082 (2d Cir. 1970) ("defendant has not been able to establish that such use was nevertheless within the purview of the defense claimed"); *Burger King Corp. v. Pilgrim's Pride Corp.*, 705 F. Supp. 1522, 1529 (S.D. Fl. 1988), *aff'd*, 894 F.2d 412 (11th Cir. 1990); Restatement (Third) of Unfair Competition, § 28, Reporter's Note, cmt. b (1995). Thus, by ruling absence of likelihood of confusion to be an element to the classic fair use defense, the Ninth Circuit appears to have effectively shifted the burden of proof on the issue of likelihood of confusion from the plaintiff to the defendant. This is not a proper result under the language of the Lanham Act and long established case law.

D. The Ninth Circuit's Formulation Of The Classic Fair Use Defense Renders The Defense Moot By Making It Effective Only When The Plaintiff Has Failed To Prove Its *Prima Facie* Claim

By allowing the classic fair use defense only when there is no likelihood of confusion, the Ninth Circuit has created a scheme which effectively renders the defense moot. In the Ninth Circuit, the only situation in which a defendant may successfully raise the classic fair use defense is precisely the situation where the defendant need not raise it, i.e., where the plaintiff cannot succeed on the merits of an infringement claim for lack of proof of likelihood of confusion. It would be superfluous for the defendant to raise the classic fair use defense when the plaintiff has failed to prove his *prima facie* claim.[7] *Shakespeare Co.*, 110 F.3d at 243 (holding that it

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[7] Indeed, the Ninth Circuit's own opinion in *Lindy Pen Company, Inc. v. Bic Pen Corp.*, 725 F.2d 1240 (9th Cir. 1984) highlights the illogic in the present case of the Ninth Circuit's formulation of the classic fair use defense. At the outset the *Lindy Pen* Court expressly holds that "there can be no liability for trademark infringement . . . in the absence of likelihood of confusion." 725 F.2d at 1247. However, a few paragraphs later, the *Lindy Pen* Court refuses to accept the classic fair use defense "where likelihood of confusion has been shown." *Id.* Clearly, under the Ninth Circuit's interpretation, the only time the classic fair use defense will be accepted is when the plaintiff has failed to prove infringement. That is, in reality, no defense at all.

defies logic to allow the classic fair use defense only when there is no likelihood of confusion because "a defense which can be considered only when the *prima facie* case has failed is no defense at all"); *Soweco*, 617 F.2d at 1189 n.30 (to hold that the classic fair use defense can only be raised in the absence of likelihood of confusion "would effectively eviscerate the fair-use defense"). This Court has consistently held that it is a "'cardinal principle of statutory construction' that 'a statute ought, upon the whole, to be so construed that, if it can be prevented, no clause, sentence, or word shall be superfluous, void, or insignificant.'" *TRW Inc. v. Andrews*, 534 U.S. 19, 31 (2001) (citation omitted); *accord, Alaska Dep't of Envtl. Conservation v. Envtl. Protection Agency*, 124 S. Ct. 983, 1002 n.13 (2004); *Dole Food Co. v. Patrickson*, 538 U.S. 468, 123 S. Ct. 1655, 1661 (2003); *United States v. Powers*, 307 U.S. 214, 217 (1939). The Ninth Circuit ruling below violates this principle.

E. The Ninth Circuit's Formulation Of The Classic Fair Use Defense Is At Odds With The Well Reasoned Decisions Of The Second, Fourth And Fifth Circuits

The Second, Fourth and Fifth Circuits all take the more commonsensical view that the classic fair use defense is available even when the competing use presents a likelihood of confusion, a view consistent with established trademark principles.[8] *Sugar Busters*, 177 F.3d at 271; *Cosmetically*

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[8] This Court's decision in *Park 'N Fly, Inc. v. Dollar Park And Fly, Inc.*, 469 U.S. 189 (1985), although cited by the Ninth Circuit below in regards to an ancillary issue, is in no way inconsistent with the Second, Fourth and Fifth Circuit's holdings described herein. Indeed, *Park 'N Fly* does not deal with the classic fair use defense at all. Rather, *Park 'N Fly* holds, among other things, that an incontestable mark may not be challenged as being merely descriptive. 469 U.S. at 196. However, this holding does not preclude the use of

(Cont'd)

Sealed, 125 F.3d at 30; *Shakespeare Co.*, 110 F.3d at 243; *Car-Freshener*, 70 F.3d at 270; *Soweco*, 617 F.2d at 1189 n.30; Restatement (Third) of Unfair Competition § 28, cmt. b. (1995) ("the fair use defense recognized in this Section can be applicable even if the trademark owner presents evidence sufficient to prove likelihood of confusion"); *but see*, *Zatarains*, 698 F.2d at 791. These Circuits correctly hold that if some residual confusion is caused by the competing fair use, that is the risk the markholder accepted by adopting a mark with descriptive qualities. *Cosmetically Sealed*, 125 F.3d at 30; *Car-Freshener*, 70 F.3d at 270; *Soweco*, 617 F.2d at 1189 n.30.

It should be noted that these Circuits do not completely ignore likelihood of confusion when determining the validity of the classic fair use defense. Rather, these Courts consider whether the defendant intended to create confusion or to trade upon the good will of the trademarked product as part of the analysis of defendant's good faith. *EMI Catalogue*, 228 F.3d 66-67 (evidence showing that defendant intended to use the mark to confuse the public as to the source of product demonstrates the use was in bad faith, and thus, the classic

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(Cont'd)
the classic fair use defense when there is likelihood of confusion. The classic fair use defense does not attack the mark itself for being descriptive, but rather, protects the alleged infringer who is using the mark in good faith to *describe his own products*. This issue was not broached in *Park 'N Fly*. Nor would a claim of classic fair use defense be expected in that case. In *Park 'N Fly*, inasmuch as the defendant had used the trademarked term "Park 'N Fly" as part of the name identifying his business "Dollar Park 'N Fly", it is clear that defendant was not using the trademark to describe his product, but rather, as a trademark. 469 U.S. at 660. Such use is clearly outside the scope of the classic fair use defense.

fair use defense is not available); *see Shakespeare Co.*, 110 F.3d at 243. The First and Seventh Circuits have adopted similar practices. *Leathersmith of London, Ltd. v. Alleyn*, 695 F.2d 27, 31 (1st Cir. 1982) (defendant had used a competing mark in good faith, and therefore was entitled to the classic fair use defense, where "there [was] no evidence of any intent to deceive customers or to appropriate plaintiff's good will"); *M.B.H. Enterprises*, 633 F.2d 52 (upholding the classic fair use defense because defendant had acted fairly and in good faith where the evidence showed that "it had no desire to confuse or mislead the public"); *cf.*, *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.*, 64 F.3d 1055, 1059 (7th Cir. 1995) (examining likelihood of confusion to determine whether the mark was being use as a mark).

This view is entirely consistent with the Lanham Act's goal of protecting the consumer from being deceived by counterfeiters and with the text of the act itself. Use of another's mark with the demonstrated intent to confuse the public and to trade upon the markholder's good will is not fair and in good faith, and thus, would not be protected by the classic fair use defense.

The Ninth Circuit, however, goes too far by holding that any finding of likelihood of confusion prevents a defendant from raising the classic fair use defense. Such a flat out ban of the defense where there is likelihood of confusion created even by a good faith use is improper.

POINT III

THE CLASSIC FAIR USE DEFENSE UPHOLDS THE GOALS OF TRADEMARK LAW BY HELPING TO FOSTER THE FLOW OF INFORMATION IN THE MARKETPLACE, THEREBY HEDGING AGAINST THE POTENTIALLY ANTI-COMPETITIVE EFFECTS OF TRADEMARK REGISTRATION

The classic fair use defense helps to foster competition and the free flow of information in the marketplace by protecting "the right of society to use words or images in their primary descriptive sense, as against claims of a trademark owner to exclusivity," including use of trademarked terms in commercial communication to accurately describe competing products. *Car-Freshener*, 70 F.3d at 269; *accord*, *Sugar Busters*, 177 F.3d at 271; *Soweco*, 617 F.2d at 1185 (the defense "forbids a trademark registrant to appropriate a descriptive term for his exclusive use and so prevent others from accurately describing a characteristic of the good"); *United States Shoe Corp. v. Brown Group, Inc.*, 740 F. Supp. 196, 199 (S.D.N.Y. 1990). By allowing competitors to use trademarked words and phrases to accurately and in good faith describe their own products, the defense helps to ensure that all competitors in the marketplace can easily and efficiently explain the significant characteristics of their products to consumers, enabling consumers to make educated and informed decisions as to which product they wish to purchase from among myriad competing brands. "The free flow of information regarding the substitutability of products is valuable to individual consumers and to society collectively, and by providing it a supplier engages in fair competition based on those aspects

– for example, price – in which the products differ." *American Home Prods. Corp. v. Barr Labs., Inc.*, 656 F. Supp. 1058, 1067 (D. NJ 1987).

In the realities of the competitive marketplace, be it a supermarket, drug store or other retail outlet, a product only has a few seconds to capture the eye of the consumer and to provide through product shape, color, and descriptive words information as to its type, nature and function. Restrictions on such communication hampers consumer choice and inhibits competition. A limitation on such communication may well cause the consumer to pass over a product and select a competing product that bears a more recognizable brand name or product appearance. There are only a limited number of means by which the appearance of a product can serve to educate the consumer. While the size, shape and color of a product's label and packaging can serve educational functions,[9] arguably the most effective tool for educating consumers is the presence of words and phrases on product packaging describing the product and its functionality. Given the short amount of time within which the product communicates its message to the consumer, such descriptive words and phrases cannot be overly complicated or technical. Rather, such words and phrases must be relatively common so that consumers will instantly identify and understand the descriptions and the characteristics to which they refer.

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[9] As the District Court of New Jersey lucidly stated in *American Home Products*, "The resemblance between two products can alert consumers to the functional or utilitarian equivalence between them, to the fact that one product may be substituted for the other in the ultimate use for which the products are intended." 656 F. Supp. at 1067.

If not for the classic fair use defense safeguarding competitors' use of trademarked phrases to accurately describe their own products, trademark holders would be given an unfair and unauthorized ability to control truthful descriptions of competing products. Restricting the use of common descriptive phrases, despite the words' accuracy in describing the competing products, would force competitors to resort to other language that may not be as easily recognizable to consumers and therefore, would hinder the consumer educational process. Consumers confronted with complex descriptions will thus be deprived of information and may be forced to, instead, choose the product with the more familiar brand name or appearance. The trademark will have thus hindered competition and limited consumer choice.

The need for consumer education about a product is amplified when consumers are confronted with store brands alongside nationally known brands. Consumers often have automatic brand recognition of national brand name products, allowing them to quickly and easily identify these products and their characteristics. With store brands, consumers have no such instant name recognition. Without such a built-in product identifier, consumers must be educated as to the characteristics and functionality of the store brand products at the *point of purchase* in order for the consumer to obtain the benefit of competition that store brands provide. If store brands were restricted from using common descriptive words and phrases to educate consumers about their products, and how their products compared to the major national brands, consumers would have little or no information as to the product choices available to them. By ensuring that newer market participants are able to accurately describe their products, entry of new products and new manufacturers into the marketplace is encouraged. Permitting truthful use of words and phrases describing such products even if such language is the subject of a trademark is essential.

POINT IV

REQUIRING AN ABSENCE OF LIKELIHOOD OF CONFUSION FOR THE CLASSIC FAIR USE DEFENSE WILL HAVE A CHILLING EFFECT ON THE ABILITY OF MANUFACTURERS TO EDUCATE CONSUMERS ABOUT THEIR PRODUCTS

As provided in the Lanham Act, the classic fair use defense is a key safeguard against the potential anti-competitive effects inherent in trademark law. The severe restriction engrafted on this defense by the Ninth Circuit is clearly not in the best interests of the consuming public. In order for consumers to be given the full benefits of competition, including enhanced product innovation and lower prices, manufacturers must be able to present as much educational information as possible, as long as such information is accurate. As provided in the Lanham Act, and as interpreted by the Second Circuit in *Cosmetically Sealed*, the classic fair use defense allows just that. However, the Ninth Circuit's formulation of the defense accomplishes just the opposite – it limits the language available to manufacturers for describing their product and thus negatively impacts the educational product information available to consumers in the marketplace.

Restricting the classic fair use defense to situations only where there is an absence of likelihood of confusion necessarily increases the risk of liability facing a manufacturer who uses a phrase trademarked by another not as a trademark, but rather, to accurately and effectively describe the characteristics and functionality of his own product. In light of this increased risk of liability, a manufacturer will likely be less willing to use common descriptive phrases which have been granted trademark protection when deciding how best to educate the consumer about its product's functions in relation to competing products. Rather, manufacturers may be forced to use less common phrases which may be either not as easily understood by the consumer or not as accurate a description of the product. The net result will be that the consumer will have less educational product information available when weighing purchasing options, and thus, the benefits of competition in the marketplace will be diminished.

CONCLUSION

For each of the foregoing reasons, this Court should reverse the order and decision below to the extent that the Ninth Circuit ruled that the classic fair use defense to a claim for trademark infringement can only be successfully raised where there is an absence of likelihood of confusion. This Court should rule that the classic fair use defense is an absolute defense which may be raised regardless of the existence of likelihood of confusion.

Respectfully submitted,

ARTHUR M. HANDLER
Counsel of Record
ROBERT S. GOODMAN
MATTHEW N. TOBIAS
HANDLER & GOODMAN LLP
805 Third Avenue
8th Floor
New York, New York 10022
(646) 282-1900

Counsel for Amicus Curiae
Private Label Manufacturers
Association

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IN THE

Supreme Court of the United States

KP PERMANENT MAKE-UP, INC.,
Petitioner,
v.
LASTING IMPRESSION I, INC., ET AL.,
Respondents.

ON WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

BRIEF FOR THE SOCIETY OF PERMANENT COSMETIC PROFESSIONALS AND THE DISTINGUISHED CITIZENS SOCIETY INTERNATIONAL AS *AMICI CURIAE* SUPPORTING RESPONDENTS

Robert A. Long, Jr.
Counsel of Record
Bingham B. Leverich
COVINGTON & BURLING
1201 Pennsylvania Ave., NW
Washington, DC 20004-2401
(202) 662-6000

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The Society of Permanent Cosmetic Professionals and the Distinguished Citizens Society International submit this brief as *amici curiae* supporting Respondents.[1]

INTEREST OF THE *AMICI CURIAE*

The Society of Permanent Cosmetic Professionals ("SPCP") is the largest non-profit professional association in the United States and internationally for the permanent cosmetics industry. SPCP is dedicated to promoting safety, excellence, and professional standards for the permanent cosmetic industry by providing education and industry guidelines. Among its other activities, SPCP provides information and educational materials to the public, the media, and legislative bodies.

The Distinguished Citizens Society International ("DCSI") is a non-profit organization of business leaders, scholars, and professionals dedicated to promoting a more harmonized environment for citizens worldwide, and peace and fairness without regard to barriers of race or ethnicity. Founded in 1968 in Taiwan, DCSI now includes regional organizations and city chapters in the United States, Japan, Russia, China, Hong Kong, and Macau.

Each of the *amici* has an interest in this case, and in the proper interpretation of the fair use defense to trademark infringement. SPCP is interested in ensuring that trademark law is applied in a way that promotes safety and excellence in the permanent cosmetic industry.

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[1] Pursuant to this Court's Rule 37.3(a), letters of consent from both parties to the filing of this brief have been filed with the Clerk. Pursuant to this Court's Rule 37.6, the *amici* represent that this brief was not authored in whole or in part by counsel for any party, and that no person or entity other than *amici*, their members, or their counsel made a monetary contribution to the preparation or submission of this brief.

These goals may be jeopardized if the fair use defense is interpreted in a way that either unduly discourages descriptive uses or unduly encourages competitors to act in ways that are likely to cause confusion among consumers. DCSI has an interest in ensuring that U.S. trademark law is interpreted to provide adequate protection to the intellectual property rights of trademark owners worldwide.

STATEMENT OF THE CASE

1. Petitioner K.P. Permanent Make-Up, Inc. ("KP") and Respondent Lasting Impression I Inc. ("Lasting Impression") are competitors in the permanent cosmetics industry. Pet. App. 3a. Permanent cosmetics has both cosmetic and medical applications. *Id.* For example, permanent cosmetics may be used to create permanent eyeliner, enhance eyebrows, or in scar revision. *Id.* Permanent cosmetics involves implanting pigment into the skin. *Id.* The pigments used for permanent cosmetics are sold in small bottles for use by professionals. *Id.* KP and Lasting Impression offer separate lines of pigments for sale to customers. *Id.*

Lasting Impression owns a registered trademark that consists of the term "MICRO COLORS" set in white within a black box. Pet. App. 2a. The mark was registered on the Principal Register of the U.S. Patent and Trademark Office in May 1993 and became incontestable in May 1999. *Id.* at 3a.

KP uses the term "micro color" on its products and brochures. Pet. App. 3a-4a. KP submitted evidence that it has been using this term on its pigment bottles since 1991. *Id.* at 4a. In 1999, KP "adopted a new use of the term 'micro color'" in its marketing brochures. *Id.* Since 1999, KP has displayed the term "microcolor" in a stylized format and in larger size type than nearby words, making the term "the most dominant feature of the image." *Id.* at

4a; *see id. at* 20a. In the district court, Lasting Impression apparently conceded that KP's pre-1999 use of the term did not constitute trademark use, but it made no such concession as to the new use that began in 1999.[2]

Lasting Impression sent KP a cease-and-desist letter demanding that KP discontinue its use of the term "micro color." *Id.* at 2a. In response, KP brought an action seeking a declaratory judgment against Lasting Impression and its distributor. Lasting Impression filed a counterclaim asserting that KP's use of the term "micro color" infringed Lasting Impression's incontestable registration of the MICRO COLORS mark. *Id.* at 4a.

The parties filed cross-motions for summary judgment. KP's motion for summary judgment argued, among other things, that KP is permitted to use the term "micro color" under the fair use doctrine, and that Lasting Impression cannot show likelihood of confusion. Lasting Impression did not seek summary judgment on the likelihood of confusion issue or the fair use defense. It sought summary judgment only on several other issues. *Id.* at 4a-5a.

2. The district court granted KP's motion for summary judgment and denied Lasting Impression's motion for summary judgment. Pet. App. 22a-34a. The district court held that: (1) the words "micro color," considered apart from Lasting Impression's logo, are

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[2] The district court's opinion states that Lasting Impression "conceded [KP] is not using the term as a service mark or trademark," Pet. App. 29a (citing Lasting Impression Summ. J. Mot. at 31-32). A review of Lasting Impression's submission indicates, however, that its concession was limited to KP's pre-1999 use of "microcolor" on bottles and flyers, and did not include the stylized post-1999 use on marketing brochures. *See* Lasting Impression Summ. J. Mot. 17 (distinguishing between pre-1999 use and "more stylized mark" KP adopted in 1999).

generic and therefore cannot constitute a valid mark; (2) even if the words "micro color" are not generic, they are descriptive and have not acquired a secondary meaning, and therefore cannot constitute a valid mark; and (3) KP's use is protected under the fair use defense, 15 U.S.C. § 1115(b)(4). In granting summary judgment to KP, the district court declined to consider whether there was a likelihood of confusion. Pet. App. 30a.

3. The court of appeals reversed the district court's grant of summary judgment for KP and remanded for further proceedings. Pet. App. 1a-19a. Initially, the court of appeals concluded that, because the words "micro color" are the most salient feature of Lasting Impression's logo mark, Lasting Impression's registration of the mark protects the words "micro color" and not just the logo as a whole. *Id. at* 8a-10a. The court of appeals next held that a reasonable juror could not conclude from the evidence that "micro color" is a generic term, and therefore Lasting Impression, rather than KP, is entitled to summary judgment on that issue. *Id.* at 10a-14a. The court of appeals then concluded that Lasting Impression's incontestable registration is conclusive evidence that its mark is non-descriptive or has acquired secondary meaning. *Id.* at 14a-15a. Accordingly, the court of appeals held that KP is not entitled to summary judgment on that ground either. *Id.*

Turning to the fair use defense, the court of appeals distinguished between "classic" fair use and "nominative" fair use. Nominative fair use occurs when the alleged infringer uses the trademark holder's mark to refer to the trademark holder's product, or when use of the trademarked term is the only practical way to refer to something. *Id. at* 16a.

The court of appeals explained that "[w]hen analyzing nominative fair use, it is not necessary to address likelihood of confusion because the nominative fair use analysis replaces the likelihood of confusion analysis." Pet. App. 16a-17a. In contrast, the "classic" fair use defense comes into play when the alleged infringer has used the trademark holder's mark solely to describe the alleged infringer's product. In these cases, the court of appeals said, "it is still necessary to analyze likelihood of confusion." *Id.* at 17a. Citing circuit precedent, the court of appeals, went even further and stated that a classic fair use defense "requires that there not be a likelihood of confusion." *Id.* at 19a.

The court of appeals concluded that this case involves the classic fair use defense, and therefore the district court erred in refusing to consider likelihood of confusion. The court of appeals explained that it applies an eight-factor test to determine whether there is a likelihood of confusion, and that "[t]he application of these factors involves numerous genuine issues of material fact." Pet. App. 19a. Accordingly, the court of appeals held, KP was not entitled to summary judgment based on its assertion of the fair use defense. The court of appeals remanded the case to the district court for further proceedings in accordance with its opinion.

SUMMARY OF ARGUMENT

The court of appeals reached the correct result in this case, but for the wrong reason. Contrary to the decision of the court of appeals, the fair use defense does not require that there be no likelihood of confusion. Frequently, however, evidence that is relevant to likelihood of confusion is also relevant to the elements of the fair use defense. For example, if the allegedly infringing term is identical or very similar to the plaintiff's mark, if the term is used in connection with the same or very similar goods, and if there is significant evidence of actual confusion, such evidence would not only strongly suggest a likelihood of confusion, but also that the defendant's term is being used as a mark and is not being used fairly and in good faith. Similarly, if there is evidence that the defendant's intent in using the allegedly infringing term is to trade on the goodwill of the plaintiff's mark, that evidence would suggest a likelihood of confusion, and would also suggest that the defendant was not acting fairly and in good faith.

Although there will be some cases where the defendant so clearly satisfies the elements of the fair use defense that it would be appropriate to grant summary judgment based on the defense, this is not such a case. KP's use of the word "microcolor" has many of the earmarks of trademark use: it is used in stylized form, in large print, and as an adjective. It is thus far from clear that it is being used "otherwise than as a mark," let alone "fairly and in good faith." If on remand Lasting Impression is able to submit evidence of significant actual confusion or a well designed survey showing a high degree of confusion among the relevant universe of consumers, such evidence might well support a conclusion by the trier of fact that KP's use of the term "microcolor" was not "otherwise than as a mark," or was not fair and in good faith.

KP's Petition also seeks to raise a second issue: whether a defendant asserting the fair use defense has the burden of proving that there is no likelihood of confusion. That question has caused no disagreement among the circuits and is not fairly presented by this case. The Ninth Circuit, like every other circuit, requires the plaintiff trademark owner, not the defendant, to carry the burden of proving likelihood of confusion under the Lanham Act. The alleged infringer bears the burden of proving the elements of the fair use defense.

This case arises in an unusual procedural posture, because there has been no trial or preliminary injunction proceeding, and the trademark owner did not seek summary judgment on the likelihood of confusion issue. It was in this unusual procedural context that the court of appeals held that "KP can only benefit from the fair use defense if there is no likelihood of confusion." Pet. App. 17a. This statement did not address burden of proof, but simply reiterated the Ninth Circuit's rule that the fair use defense is not available if there is a likelihood of confusion. Accordingly, the only issue fairly presented by the court of appeals' decision, and the only issue on which the circuits are divided, concerns the validity of this substantive rule.

ARGUMENT

The court of appeals correctly reversed the district court's grant of summary judgment and remanded the case for further proceedings. Although the court of appeals reached the correct result, its rationale for doing so was incorrect. Contrary to the court of appeals' opinion, the fair use defense does not "require[] that there not be a likelihood of confusion." Pet. App. 19a. In many cases, however – including this one – evidence that is relevant to whether there is a likelihood of confusion is also relevant to whether there is a valid fair use defense. In this case, there are genuine issues concerning facts that are material to *both* the likelihood of confusion issue and the fair use defense. Consequently, the court of appeals was correct to reverse the district court's entry of summary judgment for KP and remand the case to the district court for further proceedings. Because the court of appeals reached the correct result, its decision should be affirmed. *See generally Dandridge v. Williams*, 397 U.S. 471, 475 n.6 (1970) (Court may affirm a lower court's decision on an alternative ground); *Yee v. City of Escondido*, 503 U.S. 519, 534 (1992) ("parties are not limited to the precise arguments they made below").

1. Section 33(b)(4) of the Lanham Act, 15 U.S.C. § 1115(b)(4), allows fair use to be asserted as a defense to infringement of an incontestable mark such as Respondent's MICRO COLORS, provided:

> That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, . . . of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party . . . .

In order to establish a fair use defense, therefore, the defendant[3] must prove three elements: (1) that its use of the allegedly infringing term is "otherwise than as a mark"; (2) that the term is "used fairly and in good faith"; and (3) that the term is "descriptive" and used "only to describe the goods or services of the defendant." This provision has been recognized as a "statutory restatement of the corresponding common law defense." 2 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 11:49 at 11-105 (4th ed. 2003) (citation omitted).

The fair use defense usually is asserted in response to evidence as to the likelihood of confusion adduced by the plaintiff trademark owner at trial, in a preliminary injunction proceeding, or in support of a motion for summary judgment. In order to prove that confusion is likely, the plaintiff typically submits evidence as to most or all of the factors deemed relevant to the likelihood of confusion analysis. In the Ninth Circuit those factors are: (1) the strength of the plaintiff's mark; (2) the similarity of the parties' marks; (3) the proximity or relatedness of the parties' goods; (4) if the parties' goods are not identical, the likelihood of plaintiff's expansion into the defendant's market; (5) evidence of actual confusion; (6) any overlap in the marketing channels used by the parties; (7) the degree of care customers are likely to exercise in purchasing the goods; and (8) the defendant's intent in selecting its mark. Pet. App 18a-19a.

The evidence adduced by plaintiff (and defendant) as to many of these factors may also be directly relevant to one or more of the three elements that must be proved to establish a fair use defense. For example, if the allegedly infringing term used by the defendant were identical or very similar to the plaintiff's mark, if the defendant's term were used in connection with the same or very similar goods as plaintiff's mark, and if there were significant evidence of actual confusion, that evidence would strongly suggest not only a likelihood of confusion but also that defendant's term was being used "as a mark" rather than only "descriptively." Such evidence might also suggest that defendant was not using the term "fairly" and "in good faith." Similarly, if the plaintiff adduced evidence showing that the defendant's intent in using its allegedly infringing term was to trade on the goodwill of the plaintiff's mark, this evidence would not only support the likelihood of confusion claim; it would also show that the defendant was not acting fairly and in good faith, and thus would invalidate a fair use defense.

Because the evidence submitted by plaintiff to show a likelihood of confusion will often also show that one or more of the three fair use elements can not be established, it will rarely be appropriate to grant defendant summary judgment on a fair use defense when, as here, the trademark owner has not sought summary judgment as to likelihood of confusion and the district court has declined to consider whatever evidence as to the likelihood of confusion may be in the record. Indeed, even when the plaintiff has moved for summary judgment as to the likelihood of confusion (and the court is willing to consider the evidence on this issue), it will often be inappropriate to grant summary judgment as to the fair use defense in view of the highly factual nature of the elements of the defense. It is well established that, "[b]ecause of the intensely factual nature of trademark disputes, summary judgment is generally disfavored in the trademark arena." *Entrepreneur Media, Inc. v. Smith*, 279 F.3d 1135, 1140 (9th Cir. 2002) (citation omitted).

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[3] In this brief, "plaintiff" refers to the trademark holder and "defendant" refers to the alleged infringer asserting the fair use defense.

Of course, there will be some cases where the defendant's use of a word or a phrase is so clearly descriptive and "otherwise than as a mark" that it would be appropriate to grant summary judgment on the fair use defense. *See, e.g., Leathersmith of London, Ltd. v. Alleyn*, 695 F.2d 27, 30-31 (1st Cir. 1982). This, however, is not such a case. Petitioner's use of the word "microcolor," as shown in Appendix B to the court of appeals' decision, has many of the earmarks of trademark use. The word "microcolor" is used in stylized form, in large print, and as an adjective. It is thus not at all clear on the face of KP's usage that "microcolor" is being used "otherwise than as a mark." If, upon remand, Lasting Impression submits evidence at trial of significant actual confusion or a well designed survey showing a high percentage of confusion among the relevant universe of consumers, such evidence might well be found by the trier of fact to show not only likely confusion but also that KP's use of "microcolor" was not "otherwise than as a mark" or was not fair and in good faith, and that the fair use defense accordingly does not apply.

This is not to say that the fair use defense will never apply if there is a likelihood of confusion. As the Fourth Circuit has stated, "[w]hile it is true that *to the degree* that confusion is likely, a use is less likely to be found fair, it does not follow that a determination of likely confusion precludes considering the fairness of use." *Shakespeare Co.* v. *Silstar Corp. of Am., Inc.*, 110 F.3d 234, 243 (4th Cir. 1997); *see also Restatement (Third) of Unfair Competition* § 28, Comment b. ("[A] defendant who uses a descriptive term fairly and in good faith to describe its goods or services is not liable for infringement even if some residual confusion is likely.") In this case, therefore, the Ninth Circuit was clearly correct in reversing and remanding for a trial in which evidence as to the likelihood of confusion will be presented – not for the reason given by the Ninth Circuit, but because, assuming likely confusion is found, such evidence will be critically relevant to the question whether the fair use defense is applicable.[4]

2. Petitioner also seeks to raise a related but distinct issue, namely, whether a defendant raising the fair use defense to a trademark infringement claim has the burden of proving that there is no likelihood of confusion. *See* Pet. i ("Does the classic fair use defense to trademark infringement require the party asserting the defense to demonstrate an absence of likelihood of confusion, as is the rule in the 9th Circuit . . . ?"). This second issue is not fairly presented by the decision below, nor is it the rule in the Ninth Circuit that the party asserting the fair use defense has the burden of proving an absence of likelihood of confusion. None of the Ninth Circuit decisions cited by

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[4] The argument presented in this brief is quite similar to those in the briefs of the American Intellectual Property Law Association ("AIPLA") and the International Trademark Association ("INTA"). *See* AIPLA Br. 17-19; INTA Br. 13-18. Indeed, the INTA brief concludes: "After examining the record, this Court may decide to remand the case for the factual findings necessary to apply fair use considerations to it." *Id.* at 17-18. This line of argument supports Lasting Impression rather than KP, because it leads to an *affirmance* (albeit on a different ground) of the court of appeals' decision reversing the grant of summary judgment for KP and remanding the case for further proceedings.

Petitioner so holds or so states. To the contrary, the Ninth Circuit, like every other circuit, clearly recognizes that in a trademark infringement action under the Lanham Act, the plaintiff, not the defendant, has the burden of proving a likelihood of confusion. Indeed, the court of appeals' opinion in this case correctly pointed out that, under the Lanham Act, the plaintiff trademark holder "must show that the alleged infringer's use of the mark 'is likely to cause confusion, or to cause mistake, or to deceive.'" Pet. App. 6a.

In a trial of a Lanham Act trademark infringement case, it is thus clear that the plaintiff trademark owner has the burden of proving likelihood of confusion and the defendant has the burden of proving the elements of the fair use defense. Similarly, in the summary judgment context, if the plaintiff trademark owner moves for summary judgment on the merits of its infringement claim, it is clear that the plaintiff has the burden of proving that there is no genuine issue of material fact as to the conclusion that the defendant's use has caused a likelihood of confusion. And if the defendant cross-moves for summary judgment based on the fair use defense, it has the burden of proving only that the undisputed material facts establish all the elements of the fair use defense.

This case is unusual in view of the posture in which it came to the court of appeals. The appeal in this case was not from a decision based on a trial or a preliminary injunction proceeding, nor was it an appeal from a summary judgment decision in which the trademark owner had sought summary judgment on the likelihood of confusion issue. Rather, this case involves an appeal from a summary judgment decision in which the trademark owner did *not* seek summary judgment as to likelihood of confusion, but the alleged infringer *did* seek summary judgment both as to its fair use defense and as to its claim that the trademark owner "cannot show likelihood of confusion." Pet. App. 5a. It was in this unusual context that the Ninth Circuit held that, in view of its rule that the fair use defense is applicable only if there is no likelihood of confusion, there were issues of material fact as to the relevant likelihood of confusion factors.

The Ninth Circuit's decision thus can be understood as resting on a failure by the alleged infringer to carry its burden of proof only in the narrow and unusual context of this case, in which the trademark owner made no attempt at the summary judgment stage of the litigation to carry its normal burden of proof on the likelihood of confusion issue. The United States' brief thus is misleading when it makes the sweeping statement that "[t]he court held that, in order to avail itself of the fair use defense, petitioner must prove that 'there is no likelihood of confusion . . . .'" U.S. Br. at 10. The Ninth Circuit did not so hold or so state. Rather, what it actually said in the passage quoted by the United States is that "KP can only benefit from the fair use defense if there is no likelihood of confusion. . . ." Pet. App. 17a. That statement did not address burden of proof at all, but was merely a reiteration of the Ninth Circuit rule that the fair use defense is inapplicable if there is a likelihood of confusion. The only issue fairly presented here, and the only issue on which there is a split in the circuits, is whether this Ninth Circuit rule is correct.

CONCLUSION

The judgment of the court of appeals should be affirmed.

Respectfully submitted,

Robert A. Long, Jr.
Counsel of Record
Bingham B. Leverich
COVINGTON & BURLING
1201 Pennsylvania Ave., NW
Washington, DC 20004
(202) 662-6000